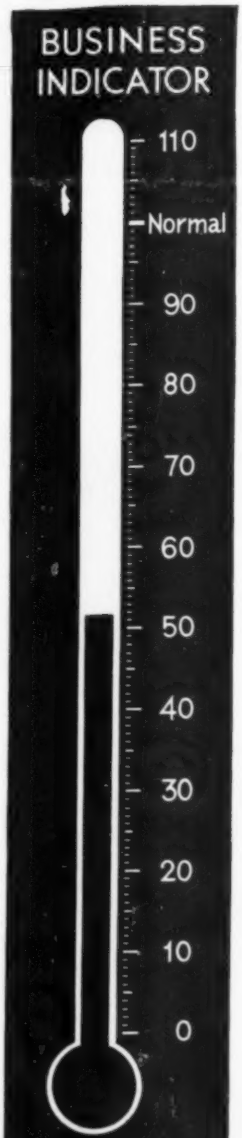
THE JAN 4, 1933

THE BUSINESS WEEK:



The most striking and significant aspect of the situation as we say good riddance to 1932 is the encouraging contrast between this year-end and last in both the business and the financial pictures. . . . A year ago the country, and in fact the whole world, was wrapped in the tense atmosphere of an impending financial crisis, which had developed out of the credit collapse in Central Europe and the suspension of gold payments by Britain and which came to its climax in the spring of 1932, with an epidemic of bank closings, currency hoarding, drastic credit liquidation, and a rapid outflow of gold. . . . Although the outlook for business improvement and revival of enterprise and new investment is still partly obscured by political uncertainties as the new year begins, it is plain that the financial tension of a year ago has disappeared and the panic phase of the depression has passed. . . . Industrial activity and trade are undergoing the usual year-end recession, and commodity prices are showing some seasonal weakness, but security markets, especially for high grade investment issues, continue surprisingly stable in face of many unfavorable factors affecting corporation earnings prospects. . . . While credit contraction has not been completely checked, increasingly abundant bank reserves, diminishing currency hoarding, and rapid return flow of gold are building a basis for powerful expansion once the spirit of enterprise revives. . . . Many fundamental problems of business readjustment remain to be met, but real progress toward recovery has been made in the past year and the prospect of further improvement in the coming year is much more hopeful than it was a year ago.

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THE BUSINESS WEEK

JANUARY 4, 1933

Reconstructed Finance Corp.

Dissatisfaction with R.F.C. functioning will force changes of policy and liberalization of the law, chiefly to stimulate construction and other capital goods industries and aid farmers.

DESPITE its constructive record in some respects, especially in supporting the banking structure during the past year, criticism of R.F.C. operations has accumulated to the point where important changes both in its personnel and its powers seem probable in the next few months. President Hoover by executive order recently extended the life of the Corporation as a lending agency until Jan. 22, 1934, the full limit to which he was authorized to lengthen it under the law. But during its second year the R.F.C. is likely to be a markedly different body if the depression continues. Early retirement of Atlee Pomerene, present head, is expected, and other changes in its officials are probable.

Interest Rates Come Down

Reduction of interest rates on certain classes of loans announced last week is itself a response to the long-standing criticism that the R.F.C. has put a too stiff price on its credit services, discouraged borrowers, and thus prevented this federal agency from being fully effective in the present situation. The R.F.C. borrows from the Treasury at 3½% on its debentures, but the Treasury is getting funds currently for this purpose at as low a rate as 0.09%, and on money borrowed for the period of the corporation's life, as low as 1¾%.

The reductions announced by the R.F.C. last week are slight, ½% off the rates charged on all classes of loans except those to states for unemployment relief, and on loans for self-liquidating construction, but it is estimated they will save borrowers $6 millions a year. They apply to new loans authorized during the first half of 1933, and on outstanding balances of existing loans maturing during this period. For financial institutions the new rate will be 5%; for loans to receivers or liquidating agents of closed banks 4½%. Agricultural credit corporations will charge farmers 5½% plus costs, instead of 7% including costs, as heretofore. The R.F.C. will rediscount paper of such credit corporations at 5%, and make loans to finance carrying and orderly marketing or export of farm products at 5%. Railroads will get money at 5½% instead of 6%. For self-liquidating construction loans special rates will continue to be made on each project, but if borrowers refinance their projects at lower rates within 2 years a retroactive readjustment will be made in the R.F.C.'s charge, with a minimum of 4½%.

Loans Decline

Whether because the rates were discouraging or demand diminished, R.F.C. loans in November continued to decline. A total of 600 loans aggregating $107,653,587 were authorized, $87 millions less than in October. Railroads were the largest borrowers, chiefly because of the large loan to the B.&O. for refunding a maturing bond issue. Repayments of previous loans to banks and trust companies were slightly larger than new disbursements. Repayments of loans to farmers have also been considerable, amounting to about a fifth of the $75 millions which the R.F.C. had turned over to the Secretary of Agriculture for this purpose. Up to the end of November the R.F.C. had actually disbursed, less repayments, $1,071 millions and authorized about $141 millions additional which had not yet been paid out. Besides its $500 millions of initial capital it had borrowed $700 millions from the Treasury, making total public credit resources of $1,200 millions so far made available in this way.

Amendment Hopper Full

Amendments aimed to speed up its work and broaden its powers are pouring into Congress. In the present critical mood of Congress almost anything in this line seems possible, except perhaps permission to aid utilities in receivership, such as was recently sought by the receivers of the Insull group. Among the extensions of its powers asked in amendments so far offered are: loans to maintain public educational services now being curtailed by financial difficulties of communities; loans to hospitals; loans to refinance irrigation district bonds; loans to help farmers and home owners pay taxes. It is doubtful if many of these will get through.

Most of the amendments so far introduced have to do with loans to farmers for crop production or tax payments, and it is likely that some extension of R.F.C. powers in this respect will be made. The R.F.C. and the Secretary of Agriculture have funds available from amounts already allocated for this purpose, and last week a bill passed the Senate authorizing the Secretary, in administering such loans, to extend or compromise payments on previous loans overdue. Greater freedom in granting loans for export of farm products is also probable. The long-pending wheat loan to China has not yet been made because of the stringent security requirements of the law. It is possible that some provision may be made whereby exports of farm products may be financed against security of other goods held in American warehouses abroad and intended for sale in this country. For instance, money loaned for the purchase of wheat by China could be secured by stocks of tung oil or antimony stored there. As these stocks were sold the loan would be liquidated.

For Construction Relief

Most important of all proposed amendments are those suggested by Senator Wagner and Representative Sabath of Illinois permitting loans to states and municipalities for all sorts of construction projects "necessary to public health or welfare" without regard to whether they are self-liquidated from other sources but taxation or not. This would open the way to borrowing by local governments on their own securities for public work of all kinds, now held up because of inability to market such securities.

Liberalization of the law to assist in stimulating the capital goods industries by assisting in financing of rehabilitation and improvement of industrial equipment is also being considered. Among proposals for this purpose that of M. C. Rorty for a system of granting bonuses or premiums to private investors in construction or modernization projects is receiving most attention.

Small Business Applies

Finally, it is possible that an attempt will be made to put R.F.C. facilities at the disposal of small business concerns now handicapped in securing ordinary banking accommodations. A bill introduced by Representative Leavitt of Montana would establish a system of regional mercantile credit corporations in the Reserve Districts, similar to the Agricultural Credit Corporations, to aid retail merchants and small businesses.

The most difficult problem relating to revision of the R.F.C. law will arise in connection with its future policy on

railroad loans. Unless business improves or other changes affecting the earnings position of the roads occur they will have to continue borrowing heavily in 1933 to meet fixed charges or go through reorganization. They are having increasing difficulty in providing security required by the R.F.C. for loans under the present law, and are urging that the law be liberalized so as to allow loans to be made on certification by the I.C.C. of necessity for them and of the probable ability of the road to repay them in the future. In other words, the roads would like to have the I.C.C. permitted to act as a credit man to pass on their applications and be given a more or less unlimited drawing account against R.F.C. funds. It seems probable that Congress will balk at this and prefer to deal with the railroad problem in other ways.

Washington

Roosevelt attack kills sales tax, leaves a muddle—Drys heartened by Hoover's attitude—Roosevelt asks authority to prune budgets, but Congress is wary of surrendering its power.

WASHINGTON—Balancing of the budget at this session of Congress seems virtually impossible. President-elect Roosevelt's surprise attack on the manufacturers' sales tax, amazing Speaker Garner and other Democratic leaders who had committed themselves to it as the one sure way of balancing the budget, ended all hope of that legislation. And it seems almost equally sure that the divergent factions in Congress will be unable to agree on any tax program comprehensive enough to meet the situation.

Meanwhile the Treasury is distressed over the bond situation. Secretary Mills does not believe the government could float a long-term bond issue at this time, especially in view of the budget uncertainty. So it is apparent the whole fiscal program will be dumped on the doorstep of the new Administration.

The chief reason for expecting passage of the sales tax had been the obvious one—that it was the only tax program in sight that came anywhere near balancing the budget.

This has become more apparent with every passing week. The calendar year 1932 is now over. There was no upturn toward the end; there is now no doubt that March 15 returns from the income taxes will be far below last March. Figures on the new nuisance taxes have been very disappointing, the postal rate increase yielding little.

Not Good Hewers

Congress is not hewing into government appropriations so bravely as had been hoped. On the contrary it is watching carefully to see just where the chips fly. This was especially apparent in the Interior and Agricultural appropriation bills.

Over in the Senate, where, to the surprise of all observers, the best trimming of appropriations was done last session, McKellar of Tennessee is sharpening up his ax again. But whether he will succeed as well this time is problematical.

Lame ducks seem to be voting to retain friends in jobs rather than trying to make a record for a political comeback. It is another phase of the terrific pressure on Capitol Hill for jobs. It manifests itself in resistance to any salary cuts, as well as to reductions of personnel in the government service.

FROM the standpoint of employment as a whole, of course, every time Congress saves the government a dollar it contributes to unemployment, whether it be direct action, in letting personnel go, or indirect, by failure to buy things, or build.

It is the prospect of smaller savings on the budget than most leaders had been hoping for which made the sales tax seem so imperative. Plus the fact that hopes for beer and its estimated revenue have faded sharply since the President let it leak out he would veto ANY beer bill.

PRESIDENT HOOVER has heartened the Drys tremendously by letting his position on beer legislation be known. No one doubts that some form of beer bill will be laid on the President's desk. All prognostication now turns to whether the Wets will be able to pass it over his veto.

That brings up the point that has been obvious all along—it is very simple for any small group in the Senate to talk any measure to death, regardless of its merits or demerits, in the brief remaining time before March 4.

The Drys are now perking up considerably, and predicting that no beer bill shall pass the Senate over the President's veto, whether the Wets muster enough votes or not.

ONE of the most far-reaching reforms in government economy ever proposed has been laid on the doorstep of the present Congress, quite unofficially, by President-elect Roosevelt.

He has sent word to Democratic leaders that he would like Congress to enact before March 4 legislation giving the President the right to effect budget savings without specific authority from Congress.

In other words if he thought $100 millions of the appropriations for the veterans were unnecessary, he simply would not have to spend it!

This illustration is used because the representatives of the veterans here think that it is the particular target he is trying to hit.

Opposition to granting such additional power to a President is strong in both House and Senate. Individual senators and members would be surrendering a real power they now have in trading with an executive.

From the standpoint of the taxpayer the proposal has much merit. In the veterans' case, for example, a President might do what Congress would silently approve, but be afraid to vote.

Presidents Like the Idea

But this old idea of permitting a President to veto individual items in a bill has appealed to every President. Many a time a President has wanted to veto some appropriation bill because it contained one or more items to him highly objectionable. But he was faced with the alternative that if he did, he might have to call an extra session. And that is about the last thing most Presidents want to do.

It may be that the tremendous prestige of Roosevelt at the moment, with none of the pork yet distributed and all the pie still uncut, plus the dire need of the Treasury for more effective help than Congress seems able to give, will push this long advocated reform through. But the opposition is strong.

Some congressmen view it as taking their pie knives away from them.

ELIMINATION of the plebiscite provision in the Philippine independence bill makes it certain that the measure will be vetoed by President Hoover. At least it is assumed that Senator Bingham, of Connecticut, chairman of the Senate committee having jurisdiction over the bill, would not have made positive statements to that effect if he were not familiar with the course the President intends to take.

A Close Vote

The Senate was rather closely divided on the plebiscite which the House had already voted down. A majority of one, however, objected to it on the ground that a period of years would be allowed for sugar and cocoanut oil producers in the Philippines to organize the people and influence the election against complete independence from the United

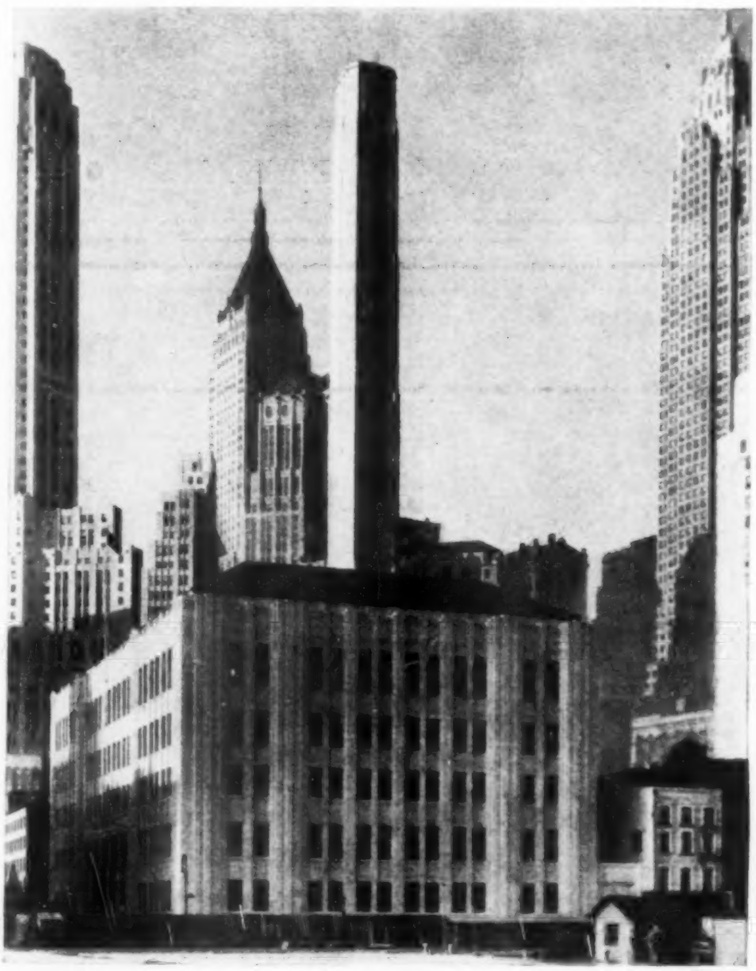
States. The minority contended that an opportunity should be given the Filipinos to live under the changed economic conditions that would come with independence, before finally making up their minds as to complete severance. Chances seem to favor the passage of the measure over the probable veto. And if it doesn't get by, the way should be clear in the special session.

Bank Reform

Immediate need for banking consolidations probably will push the Glass bank reform bill through this session, despite opposition to some of its drastic features.

THE Glass bill, proposing some of the most important changes in our banking system since the establishment of the Federal Reserve, will come up for action in the Senate Jan. 5, and will probably pass in compromise form. It has the general support of the Administration, but its fate in the House, where sentiment is strongly against its branch banking features, is uncertain.

The measure itself is a compromise product of the depression, representing, on the one hand, the determination of Senator Glass to give the Federal Reserve system greater control over banking operations and prevent speculative abuse of bank credit resources such as he believes led to the depression; and, on the other hand, reflecting the resistance of individualistic financial interests to further centralization in the banking field.



Keystone

MANHATTAN SMELTER—New York is far from the mines, but it's the world's gold center. Here is the new U. S. Assay Office, in lower Manhattan, where incoming bullion is tested and where much commercial smelting is still done.

Senator Glass has already yielded something to the opponents of branch banking by agreeing to confine branch privileges to state lines and to lengthen the period for divorce of security affiliates of member banks from 3 to 5 years. On other important features, such as curtailment of investment and underwriting activities of member banks and control of speculative uses of credit by the Reserve authorities, he seems adamant; but even in the Senate over 33 amendments are pending to soften some of the drastic features of the bill.

Banking opposition to the bill has moderated, partly because of dissension among bankers themselves, and partly because of fear of more drastic legislation unless banking conditions improve. The most important factor making for speed in pushing the measure through in this session is the fear of further banking difficulties unless prompt absorption of weaker institutions by stronger ones under branch banking privileges is made possible. Although the R.F.C. has given effective support in stabilizing the banking situation so far, it is generally recognized that large-scale consolidation is desirable immediately in many states to strengthen and fortify some institutions.

Bankers' Criticisms

In a memorial to Congress on the Glass bill issued last week, the American Bankers Association approved the general purposes and main features of the bill, but suggests some modifications. Pointing out the important functions of the banks in providing and mobilizing long-term capital necessary for business revival, the A.B.A. protests against the drastic restrictions the Glass bill puts on the investment security business of member banks. These restrictions, it says, would confine such business largely to private banking and underwriting houses which are not now under the supervision of federal and state banking authorities. Not only would this greatly restrict the facilities for underwriting and distribution of new securities, but might lead to even greater abuses than were possible through bank participation. The A.B.A. also protests against the abolition of security affiliates of member banks, which have been an important part of the machinery for mobilizing long-term credit for industry and government, but recognizes that reasonable supervision and regulation of such affiliates is desirable.

The A.B.A. objects to restrictions placed upon speculative use of credit facilities of Reserve Banks by member banks under the bill, insisting that regulation in this matter can be left to the Reserve Board under its present powers. The principle of a federal liquidating

corporation for closed banks is approved, but the A.B.A. does not believe that member banks should be required to make subscriptions for this purpose out of capital funds, and suggests that the capital be furnished by the Treasury and the Reserve Banks.

On the branch banking question the A.B.A. finds itself unable to take a position because of the conflicts of opinion among its membership.

From the point of view of business the branch banking features of the bill are likely to be helpful in the present situation, but there is some fear that the other features, particularly those restricting investment activities of member banks, may have a further deflationary effect at the present time, if left in their present form.

Red Cross Cotton

Mills and garment manufacturers now satisfied that Congressional gifts of raw cotton to the Red Cross do no harm to business.

CONGRESS has decided to turn over to the Red Cross 329,000 more bales of cotton, the remainder of the spot holdings of the Cotton Stabilization Corporation. The cotton is to be converted into clothing for the needy on the same terms as the 500,000 bales appropriated last year. There is a minor change—the permissible use of the cotton is now extended beyond clothing to include bedding.

Textile men quarreled with the idea when it was first launched, but criticism now is stilled almost completely. In large part, this is due to an immense amount of painstaking work by George S. Harris, of Atlanta, who devised a technique for carrying out the mandate of Congress that the raw cotton should be exchanged for clothing "at cost or market, whichever is lower."

Clothing for Millions

It wasn't so hard to deal with mills, which are used to buying raw cotton, and have a set-up for handling it. But it wasn't so easy to arrange with cutters-up, who are not acquainted with the cotton markets and never buy the raw staple.

But it was all worked out very satisfactorily in the end and the Red Cross got 52 million yards of cloth for its 500,000 bales; the mills cleaned out stocks of goods and got in exchange raw cotton which they can manufacture into whatever new goods best meet the current market. The Red Cross converted the 52 million yards of cloth into 1,306,508 dozen garments—underwear, hosiery, overalls, dresses, trousers, and knickers. Cloth and garments are valued at \$7½ millions, distributed to 4,202,267 families.

The trade's worry about the effect of all this on the market has disappeared to a large extent. It is recognized now that recipients of the clothing are so destitute that they are no longer consumers in the ordinary sense.

Tobacco Strike

Rebellious farmers who cut their acreage are getting higher prices this year.

TOBACCO farmers struck for higher prices this year and got them. Their tactics differed from those resorted to by their brothers in Iowa. They didn't sow a surplus and then blockade the highways to market. They told the U. S. Department of Agriculture last March that they would plant only 1,562,000 acres, 22% less than last year. Then they planted only 1,432,000, smallest acreage since 1921. Coupled with a decrease of 9% in per acre yield, their production totals little more than 1 billion lb., 37% less than last year.

In reporting the out-turn of the crop, the department's report states that the reduction in acreage was "due almost entirely to a shift from cash to feed-and-food crops required by economic conditions." These are soft words to describe the irate farmers' rebellion against the low prices brought by their leaf in 1931. They turned some acreage into forage and vegetable crops, but this doesn't wholly account for the reduction in acreage planted to the cash crop.

In flue-cured tobacco, the reduction in acreage was 27%; in production 48%. In fire-cured, acreage was down 28% on average and 35% in Virginia. The Virginia output is 48% off and production of other fire-cured types is much less than last year. Burley acreage was clipped 14%, and production is 25% less than last year when some low grades weren't cut because of low prices. In other air-cured types, a reduction of 39% in acreage was followed by a similar reduction in the crop.

The sequel is the high prices that leaf is commanding in practically all markets. Georgia warehouse sales averaged better than 10¢ a lb. against 6.4¢ last year. The average for North Caro-

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RUSHING THE CAN, NEW STYLE—Beer, if, when, and as, will find a lot of things changed on its return. Here are new packages and cartons being tried out in the Robert Gair laboratory store. New bottles, too, are promised.

lina was 12.5¢ against 9.9¢. Burley is bringing 12¢ to 15¢ against an average last year of 8.7¢. Medium to common grades especially are commanding high prices because of a shortage in carry-over stocks of grades suitable for 10¢ brand cigarettes. It is also reported that the makers of 15¢ brands have been strategically bidding up prices on such grades—which will be just no help at all to the dime smoke business and its slim operating margin.

Beer Market

Big industries have set their experts figuring on what a revival of brewery selling—and buying—will mean to them. Even after discounting for optimism, the figures are impressive.

WHILE, as yet, nobody quite knows what's going to happen to the beer bill, everybody should now have some kind of picture of what's going to happen to business if beer comes back. The wild guesses are presumed to have been brought down to earth, the wild statistics driven home to roost in the beer report of the House Ways and Means Committee and in the expert testimony on which that report was based.

Time and the tide of public sentiment toward the brew that's supposed to cheer without officially inebriating will alone tell whether the experts are too optimistic. Here, however, is their estimate of the "Buy Now" campaign that the legalization of "3.2" will start in many a figure-strewn field.

The House Committee reported the brewing interests' belief that old customers and new ones would buy 40 million barrels of their product in each of the next 2 years (though it stuck to a conservative 25 millions to 30 millions for budgeting purposes). It added that if the American capacity was as good as in 1914 (20.92 gal. per capita, 24.2 gal. in the wet states) a 60-million barrel sale might be expected in the states that are still potentially "wet." Incidentally, it figured that the brewers could deliver a barrel to the point of consumption at a cost of $6.26, exclusive of taxes, and bottle its contents for $3.

The Job Estimate

If the estimating is good so far, said the committee, the labor of 75,000 men must be bought by the breweries, that of 225,000 more by retail distributors of beer. "And there will be a very large number of men indirectly employed through demands made by the brewing industry upon other industries," including the agricultural.

To bring the industry's present 15-million barrel capacity up to 40 millions, testified R. A. Huber, vice-president of the United States Brewers' Association and of the Anheuser-Busch Brewing Co., will require an investment of $175 millions. In addition, he asserted, there should be immediate expenditures of $25 millions for supplies of all kinds, $12 millions for cases, $15 millions for bottles, $5 millions for labels, $40 millions to $50 millions for cooperage, $15 millions for motor trucks, $16 millions to $20 millions for advertising.

All this so deeply interests the National Committee on Industrial Rehabilitation that Joseph Dilworth, Pittsburgh steel man and managing director of that committee, has been looking into the prospective rehabilitation spending of the brewery industry on his own. He finds that brewers in New York, Milwaukee, Pittsburgh, and St. Louis alone are all set to spend $40 millions to $50 millions for the capital goods needed to refit their plants for modification business.

Refrigeration Changes

An important item on any such rehabilitation budget must be refrigerating equipment. What with the rise of air conditioning and so many other new wrinkles, this has got way ahead of pre-Prohibition standards. If brewers have a 60-million—or even a 40-million—barrel business to compete for, they can't get along on old-fashioned refrigeration. Fred R. Nolde, secretary of the Refrigerating Machinery Association, told the American Society of Refrigerating Engineers that the potential demand for brewery refrigerating equipment amounted to 70,000 tons of capacity daily. To the House Committee he asserted that real beer meant $20 millions for the refrigerating machinery manufacturers in 1933 and $65 millions in the next 3 to 5 years.

Since refrigeration connotes electrical power, the electrical industry also has been doing some figuring on the brewery market. Such figuring leads A. W. Berresford, managing director of the National Electrical Manufacturers Association, to the conclusion that if the brewery business swells to only 50 million barrels a year, new construction will be needed to provide 25 million barrels and 60% rehabilitation of existing plants required to add the other 25 million. This, he says, will call for a total electrical installation in breweries for all purposes reaching $18,640,000. To which he adds $6 millions to equip bottling machines and figures in a retailer demand for electrical refrigeration that would raise the possible sale of electrical products to the brewery market to between $35 millions and $50 millions—"which the electrical industry vitally needs."

Steel men who have hitherto played with calculations on what the brewery market would have meant to stainless steel if Prohibition hadn't come first are now busily estimating what it will mean to this comparatively new product now that beer is coming back. Definite figures are hard to get, but the industry is talking about storage tanks, coils, syphons, measuring vessels and brewery fittings of chrome nickel steel; also whispering about a "barrel" of the same material which has passed exhaustive tests by the British Bureau of Bio-technology.

12 Million Barrels

What the brewers' barrel demand may amount to is indicated by testimony before the House Committee by Edward Verdi, representing the associated cooperage industries. They now have about 200,000 barrels, he said. If consumption goes to 40 million barrels upon legalization, they'll need 12 million barrels to handle it—which, incidentally, passes to the steel industry an order for 108,000 tons of hoop steel, added Mr. Verdi; and provides jobs for 3,500 coopers to handle repairs in the breweries.

As to bottles, it all depends on how the "3.2" is to be distributed, but J. P. Curran, sales manager of Owens-Illinois Glass Co.'s beverage division, has estimated that real beer would require a production of 864 million bottles a year, providing jobs for 6,000 men and building sales for many a ton of sand, soda ash, lime, and miscellaneous chemicals. George J. Meyer told the House Committee for the manufacturers of bottle-making machinery that legalization would boost his industry's payroll $6 millions a year. To which pleasant sums Paul L. Grady of the Wooden Box Manufacturing Association's bottle box division adds $40 millions as the prospective annual receipts of his membership from a "modified" brewing industry.

Trucks to Carry Them

All these potential bottles, boxes, and barrels call for potential trucks and railroad cars to carry them. Whereupon D. C. Fenner, representing the Mack-International Truck Corp. before the House Committee, speaks up. In the first year after legalization, he says, the brewers will need about 5,000 trucks, big ones, for which they will pay about $25 millions, adding 30,000 workers to the automobile payroll. If most of

these trucks run 5 tons and over, the demand would almost double present production of such sizes (6,075 in 1931).

What modification would mean to the railroads is not easy to estimate, but there is plenty to show that any estimates should be big ones. General American Tank Car Corp. has already stated that a return of the "real stuff" should put 1,000 or more of its glass-lined cars on American rails (*BW—Dec7'32*). Owen T. Cull, general freight manager of the Milwaukee, told the House Committee that "this is a $100-million proposition so far as the railroads are concerned," though truckmen may dispute his estimate that 70% of the beer manufactured will travel by rail. Direct transportation of more beer is obviously only one source of railroad profit from modification. In 1917 the U. S. Fuel Administrator estimated that the brewers needed 40,000 cars just to supply their coal requirements. The roads foresee rich pickings from increased brewery buying as well as from accelerated brewery selling.

Figures for Farmers

Finally, efforts have been made to show what a revived brewery market will mean to the farmer, some of them guided by a surprisingly carefree spirit of optimism. The House Committee did serious work on this. It will be noted that the most optimistic estimates of beer consumption stop at 60 million barrels. That is a little under the recorded consumption of 1917. In that year the brewing industry used, in round figures, 2.7 million lb. of malt, 125 thousand lb. of rice, 666 thousand lb. of corn and corn products, 42 thousand lb. of hops, 116 thousand lb. of sugar and syrup, 204 thousand lb. of grits, wheat, bran, and barley, 17½ thousand lb. of acids, extracts, salt, yeast, and miscellaneous ingredients.

In all these estimates there is a big "if." Their accuracy depends on that key estimate of beer consumption. From 1901 until wartime prohibition went into effect the records show that our beer appetite was never less than that. At the peak, in 1914, we were drinking 66,105,455 bbl. a year. Whether beer can come back to that is something else.

Restaurant Mart

Food purveyors set up national buying center.

RESTAURANT men start 1933 with a new buying center. For the first time in the industry's history a permanent restaurant mart has been set up. More than 50,000 sq.ft. of space on the seventeenth floor of Chicago's American Furniture Mart Building have been leased to the National Restaurant Association. Allotments thereof will be subleased to purveyors to the restaurant industry for the display of their wares. The National Association has established headquarters there, will hold its annual convention on the premises next October, will welcome buyer-members the year 'round. Permanent exhibits of supplies are now being installed by 20 firms which form the nucleus of the mart.

Directors of the N.R.A. have been working on the project for 5 years. It was first proposed by A. H. Buck of Chicago, later president of the association. The mart will be open to all the industry. Adjacent club facilities will be reserved to members.

Non-Run

The new hosiery sells as fast as the mills can make it, but a 3-month test brings up some knotty merchandising problems.

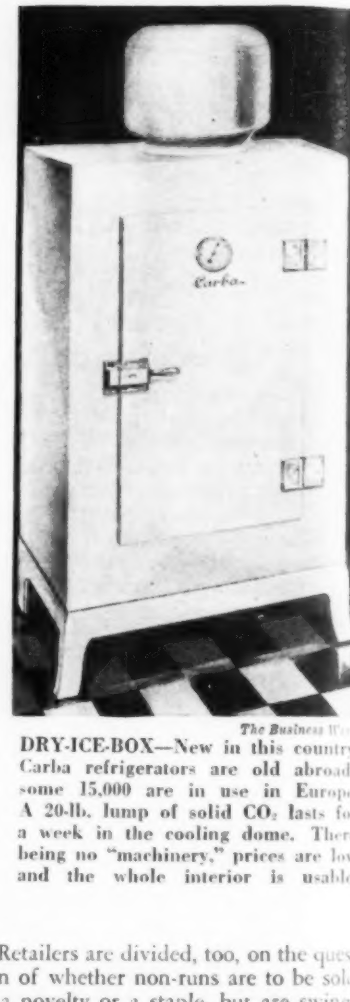
THREE months old, non-run hosiery finds the mills still oversold. There has been time enough now to get the opinion of the women who wear them—who have the final say, after all—and so far, it is encouraging. The industry looks forward with some confidence to profitable production in 1933. But it becomes apparent that the hastily improvised promotional programs must give way to a system carefully worked out.

First need, it is agreed, is a strict definition of terms. Trying to cash in on the novelty appeal and the publicity of non-runs, rival manufacturers are offering "won't run," "can't run," "run-resist" and a number of other types. Nobody knows what the terms mean.

Naturally the makers of non-run hosiery feel aggrieved. There are two types of full-fashioned hose that may legitimately call themselves non-run. One is made by Gotham Hosiery Co. under the Graenz patents, the other by a group of licensees under the Schwartz patents, headed by Berkshire Mills. Both these types are produced on specially designed machines which knot the threads so that each stitch is locked. Breaking one does not affect those next to it—so there can be no runs. The pattern looks like a fine mesh.

Some kind of trade practice agreement is urged to limit the term non-run to hosiery thus constructed.

Another merchandising reform necessary is to limit exaggerated claims. Non-run does not mean wear-proof. A heavy non-run stocking would indeed be extremely wear-resistant. But so far, in order to meet the vogue for sheer hose, the manufacturers have used 2, 3, and 4-thread construction, by no means wear-proof, even if extremely chic.



The Business W

DRY-ICE-BOX—New in this country, Carba refrigerators are old abroad; some 15,000 are in use in Europe. A 20-lb. lump of solid CO_2 lasts for a week in the cooling dome. There being no "machinery," prices are low and the whole interior is usable.

Retailers are divided, too, on the question of whether non-runs are to be sold as a novelty or a staple, but are swinging around to the general opinion that they will become a staple line. Prices are still firm, at $1.35 retail.

Mail Order

Postage has gone up, prices have gone down. So postage prepayment seems to be going out.

NOW that the mail order houses have their own stores so widely scattered across the territories of the national chains, they are giving up the special inducements that once cemented consumers to the catalogue. The final step seems to be forecast in the decision of Sears, Roebuck and Montgomery Ward to discontinue payment of postage on all orders received by branches serving the Minneapolis–St. Paul territory. It's called an experiment, but if it's successful the policy will become general.

They have come slowly down the hill that they began to ascend in 1929 when Sears inaugurated payment of postage on all orders and Ward first balked, then followed suit, then led its rival into the payment of freight also. Freight

prepayment was the first to go. Later both houses found that, with free postage, customers were little concerned about the desirability of grouping their orders to get maximum economy under parcel post rates. So both limited their prepayment offer to orders of $2 or more. This has now been wiped out in the experiment.

Contributory motive is the mail order houses' desire to put mail order buying on a more equal basis with buying from mail order stores, where the price of a particular item depends somewhat on the distance of the store from the point of manufacture. Also prices and postage costs have been moving in opposite directions since boom days.

Coal Trucks

More and more bituminous coal moves over the highways; this year it will run to 1 million tons for St. Louis alone, and the use of trucks direct from mine to consumer is spreading fast in every part of the country.

TRUCKS are hauling 100,000 tons of bituminous coal a month to Illinois local markets; the railroads have lost 50% of all coal hauled less than 100 miles. There are 700 trucks hauling coal from mine to consumer in Indiana; Indianapolis gets 1,150 tons a day, and 500 tons a day go through to points further east. Truck hauling from Illinois mines into St. Louis will run to 1 million tons for 1932; it was 715,000 tons in 1929. Six companies are shipping at least 100,000 tons a month by truck into Pittsburgh.

These are a few samples, not the most striking, from a survey just completed by the National Coal Association. The survey presents these findings: (1) Trucking of coal is increasing very rapidly; mines are spending large sums to equip for truck loading. Retailing of coal delivered by rail has all but disappeared in all communities within 30 miles of mines. (2) The length of truck haul is rapidly increasing. The majority of hauls are within 50 miles, but there are regular movements over 200 and 300 miles. (3) Industrial users are turning to trucks. (4) Some truckmen are developing return loads —as fruit from Florida, coal on the return trip. (5) Character and business reliability of coal truckers is improving steadily. (6) Trucks got their opening because of high freight rates and middlemen's charges. They pay say 50¢ a ton more for coal at the mine and still deliver it to the consumer cheaper than the local retailer. (7) Railroads have done little to meet the situation. The longer they delay rate cuts, the harder it will be to get the business back.

More specific examples:

Trucking of coal into Denver has increased 7-fold in 3 years—from 50,000 tons in 1929 to 350,000 tons in 1932. Trucks are bringing in hogs and taking back coal 350 miles. The Santa Fe, Missouri Pacific, and Rio Grande lines have made some rate reductions to meet the competition.

In St. Louis, the growth in truck hauling to industries is particularly noteworthy; the saving is put at 36¢ a ton, and 40% of all coal trucked is for industrial use. The American Zinc Co. is getting 100 tons a day, and the General Chemical Co. about the same amount. Several mines are loading 1,000 tons a day in trucks.

An increase in freight rates on lignite stimulated truck hauling in North Dakota, where 35% of the total output now moves over highways.

Altoona, Pa., gets virtually all of its 200,000 tons of annual consumption by truck.

Retailers in Seattle are having trouble trying to meet the competition of direct trucking from mines, which now runs to 80,000 tons a year.

Barges for Sale

Inland Waterways lines cost Uncle Sam $23 millions. The realistic I.C.C. appraises them at about a quarter of that.

UNCLE SAM'S investment in the barge lines operated by the Inland Waterways Corp. on the Mississippi River is $23.2 millions. This week the Interstate Commerce Commission put its sale value at $6.5 millions.

The appraisal was made by the com-

The Business Week

DE SOTO STARTS UP—Dashing style won sales for this Chrysler car in 1932; the new models, now rolling off the production line, continue to feature curves, particularly around the radiator. De Soto and Plymouth were the only cars to do better this year than last.

mission's expert bureau of valuation at the request of Secretary Hurley last May, following reports that an offer had been made for the property by private interests still unknown. Secretary Hurley denied that there had been an offer but explained that he wished to be prepared to discuss any proposition that might be made. The Inland Waterways Corp.'s auditors now are trying to find holes in the I.C.C. figures.

The commercial value of the barge lines was determined by capitalizing at 6% the net revenue from operations. After deducting taxes, rentals, and office expenses this amounted to $280,500 in 1931, but, because of the depression, the commission also considered earnings of $481,959 in 1926, the corporation's most prosperous year, and struck an average. The sale value of the property is diminished by the fact that, against a net operating revenue of $3 millions on the lower Mississippi since 1924, must be set a cumulative deficit of $1.2 millions in operations on the upper river. The law creating the Inland Waterways Corp. specified that the property may only be sold or leased as a unit and its fair value ascertained by the I.C.C.

Fair value, as the words are used by Congress, is construed to mean the value of the property for purposes of sale or lease; in other words, the commercial value, in which the predominating consideration is the return which may be anticipated by its use in the past and a forecast of future conditions.

What the future may hold for the barge lines in competition with railroads and trucks the commission does not attempt to predict. It notes, however, that the advantages the Inland Waterways Corp. has in comparative freedom from regulation may be denied to a private operator. On the other hand, the commission does not ignore the possibility that a private operator could cut costs to some extent, as the government corporation "presumably has been more intent on developing a practicable service than upon obtaining maximum revenue."

Economy Merger

LINKING tracks between Philadelphia and Atlantic City to form one route for the Pennsylvania Railroad and the Reading is an outstanding example of that rail coordination to promote economical operation of which there has been much talk but little done.

Since the opening of the Delaware River Bridge between Philadelphia and Camden in 1926 there hasn't been enough business for both roads, and duplicate service, rendered unnecessary by New Jersey's famous highways, has been costly.

Air Service

Transport by airplane will earn $38 millions gross in 1933.

AIR transport lines will do $38 millions gross in 1933. The prediction is made by E. P. Warner, editor of *Aviation*, whose forecasts have been astonishingly correct for 2 years past. For the first time in the history of aviation, receipts from transport service in 1932 have exceeded those from sale of aircraft and motors, domestic and export, military and non-military. For 1933, the prediction is they will stand 50% above receipts from all other sources. It is a respectable figure—about one-third the gross revenues of all motor buses.

Air mail flying was 37 million miles in 1932; it will be about 38 million miles in 1933. Transport service without mail has been about 14½ million miles in 1932. Consolidations, etc., have cut this down to an 11 million-mile rate at the end of the year. The increase next year should be less than 1 million miles. Average number of passengers in 1933, mail and non-mail, should be 3.5 per plane, a total of 174 million passenger miles, an increase of 23%. Fares will be about the same—6.2¢ a mile. Total passenger revenues, $11 millions; mail revenues, $27 millions.

Mail poundage figures are confusing, because of a change in mid-1932 in the manner of keeping statistics. However, the best guess is 7 million pounds for 1933, against 7½ millions in 1932.

Express traffic is hardest to guess, but is put at 2 million pounds, a gain of 40%. Express by air has gained at a much greater rate than this for the past 2 years.

Some 150 new transport planes should be built, and 400 planes for private buyers.

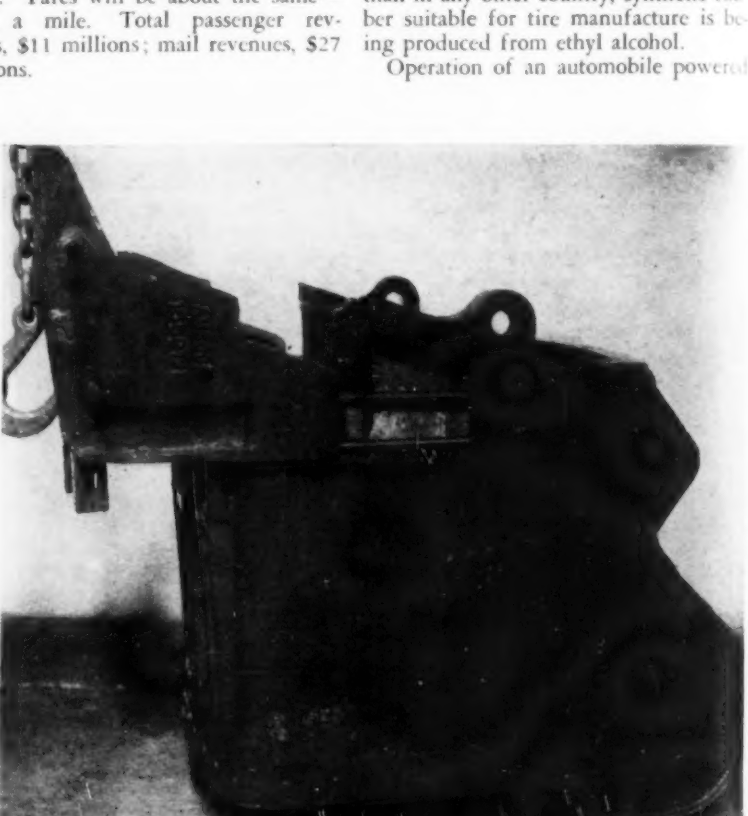
Total, including military planes and engines, still the largest category, ought to be $30 millions for 1933, a drop of 10% from 1932.

Haywires

In Malaya, fuel from rubber; in Russia, vice versa.

HOLIDAY haywires to *Business Week* reveal that in British Malaya, base of the world's rubber supply, the stuff that tires are made of is being distilled as fuel to replenish empty gas tanks, while in Soviet Russia, where the consumption of rubber has increased more rapidly than in any other country, synthetic rubber suitable for tire manufacture is being produced from ethyl alcohol.

Operation of an automobile powered



The Business Week

BIG DIPPER—A new one-piece manganese steel bucket, produced by the American Manganese Steel Co., has a removable lip which permits interchange to fit various kinds of work and quick renewal and repair. It is lighter than the usual bucket, which means greater capacity with less wear and tear on the machine. The photograph shows how the separate lip is slipped into place.

The Business Week

TO NEW POST—Virgil Jordan, made president of the National Industrial Conference Board to succeed the late Magnus W. Alexander.

with the rubber distillate was reported at a meeting of the Negri Sembilan branch of the Automobile Association of Malaya. In Russia the second synthetic rubber plant, known as S K-2 in the parlance of the Pialetka, has produced its first lot of one ton.

Planning

National Industrial Conference Board expands program to deal with crisis, chooses new chief.

NATIONAL INDUSTRIAL CONFERENCE BOARD, fact-finding agency for American business, announces an expanded program to unite industry in conference on the problems of the present economic crisis. Details will be developed by Virgil Jordan, who has been made president of the board to succeed the late Magnus W. Alexander. They include the extension of research work and the promotion of a closer interchange of ideas to guide the policies of the 91 business executives and industrial association representatives who look to this organization for fundamental economic planning.

Mr. Jordan, who will take office at once, became thoroughly familiar with the board's work and responsibilities as its Director of Research from 1920 to 1929. Since 1929 he has contributed effectively to business thinking as economic adviser of the McGraw-Hill Publishing Co. and economist of *The Business Week*. He helped plan and launch this paper, developed some of its most important features—notably its Index of Business Activity, first weekly index of the kind ever attempted—and has contributed continuously to its columns.

Mr. Jordan will continue to cooperate with *The Business Week* and McGraw-Hill Co. in a consulting capacity.

Rail Wage Gamble

If the depression persists the railroad managements came out on top at the Chicago wage conference. If business picks up by midsummer the men won out.

THE net of the Chicago conference between the railroad executives and the railroad labor executives is that it all depends on the course of business. The workers' 10% "temporary reduction" continues until Nov. 1 but the unions are finally and thoroughly committed to negotiations for a deep slash in basic rates under the Railway Labor Act if the employers choose to ask for one on June 15. If business picks up so well by midsummer that the railroads can't make a case, the workers may be headed blithely back toward the full pay envelope. In the meantime, they are spared that immediate use of the knife which the managements had threatened.

The union's commitment to conduct the negotiations under the Railway Labor Act on a national scale will help to expedite matters. Otherwise, every road would have to arbitrate with every one of the 21 unions. Even so, the roads may have to angle for another extension of the 10% cut, as full pay is automatically restored Nov. 1 unless a new agreement is reached.

The "Big 4" brotherhoods apparently were willing to throw the issue into a national conference, as separate agreements would wreck standardization of wage rates and lack of cohesion would weaken their organizations.

Union leaders are confident that they can resist a reduction of more than 10%, but the railroads are face to face with the fact that the 10% which will save them $170 millions in the first year of its operation would, if continued for another, save only $140 millions.

Since last January 100,000 men have been cut off railroad payrolls and most of the 1 million that remain are working part-time. Only a heavy slash will materially reduce the wage bill now. The men are in no mood to take that on top of the work-sharing that has cut far deeper into pay envelopes than the 10% subtracted by the Willard agreement last February. Shopmen who, after deducting 10%, are still getting 72¢ an hour, earn only $17 if they work but 3 days a week. And this example is in focus with the situation today.

The conference in the Gold Room of the Palmer House was a big show but it merely raised the curtain for a climax in which anything may happen. Whatever the outcome, the principle of collective bargaining will stand the test, judging by the conduct of the union leaders at Chicago. There was a moment when a "walk-out" seemed imminent. W. F. Thiehoff, chairman of the conference committee of managers, had handed A. F. Whitney, chairman of the labor executives, a letter stating that the offer of the managements was withdrawn and that the unions' counter-proposition was unsatisfactory. As the conference had been invited by the managements it looked as if everything was off until Whitney, after assuring himself that the amplifiers were working, announced:

"Gentlemen, this is your party and we are not going to run away." Whereupon 1,250 union chairmen settled back in their seats and the compromise was reached the next morning.

Big Seaplanes

Pan American Airways orders 2 giants, but the talk of European service certainly is premature.

WITH highly desirable newspaper publicity, Pan-American Airways trumpeted signing of contracts for 2 huge seaplanes, one to be built by Sikorsky, one by Glenn L. Martin. Specifications call for a 2,500-mile cruising radius with full load. The planes will not be as large as the DO-X, but bigger than the 34,000-lb., 40-passenger planes now used by the line. They are to take to the air within 2 years. A year has gone into the designing, with various companies participating in a rather informal competition.

The newspapers were caught with the idea that these planes could be used for transatlantic or transpacific lines. Over both oceans, routes can be laid out calling for less than 2,500-mile hops. But men in the aviation industry remarked quietly that while, indeed, these planes might be invaluable preliminaries to European or Asiatic services, they probably would spend their useful lives on the Latin American routes.

Pipe Lines

The railroads' underground competition is taking more from them than the trucks—and there seems to be no good ground for protest.

ALTHOUGH the pipe lines now swallow up some $50 millions a year on competitive freight, the railroads scarcely mention this underground competition in their various pleas for regulation of their competitors. The reason is that there is nothing on which they can make a case against the pipe lines.

The battle cry of "subsidy" may help them to win against the trucks and buses and water lines operating on public rights-of-way, but the pipe lines are immune because they have their own.

Monkey-Wrench Dropped

Just a year ago the railroads threw a monkey-wrench at the common carrier pipe lines in urging upon Congress that they, like the rails, be prohibited from carrying any freight in which they have a proprietary interest. This proposal was dropped like a hot rivet upon discovery that the pipe lines don't own their own freight but are owned by the oil companies. Numerous railroads, notably those of the U. S. Steel Corp., occupy the same status.

What to do about it? Nothing apparently, although the vast volume of crude petroleum, natural gas, and gasoline pumped through the pipe lines is far greater than the merchandise freight that the railroads have lost to the trucks. Pipe line shipments of 1,686 billion cu.ft. of natural gas in 1931 alone are equivalent to 13 billion to 20 billion ton-miles of coal. Inter-city for-hire trucks have captured only 17 billion ton-miles of freight from the railroads, according to a Commerce Department estimate (*BW—Nov30'32*).

Used in the Field

But more than half of the piped natural gas does not displace any rail-hauled fuel as it is consumed in the field. Much is burned under petroleum refinery stills and some is exported.

Industrial, commercial, and household consumption amounted in 1931 to 841,-940 million cu.ft. Oil states consumed 474,447 millions. Assuming that the piped gas in these states displaced tank-car fuel oil, the railroads lost equivalent tonnage of 11.2 million tons, or about $40 millions in freight charges.

Assuming again that the consumption of 367,493 million cu.ft. of natural gas in other states displaced coal, the railroads can claim a loss of 15.9 million tons, or $35 millions.

But the carriers cannot be sure that all this tonnage is actual loss. Most of it is tonnage that they never got because natural gas, prior to 1922, largely created its own markets for 511,067 million cu.ft., bought because of inherent advantages in burning efficiency, cleanliness, and flexibility of use that coal did not acquire until its engineers developed efficient equipment.

The bulk of this—356,383 cu.ft.—was consumed in Eastern states. Consumption in states that, since then, have been embraced in or become tributary to the Mid-Continent oil empire amounted to only 154,684 million cu.ft. 10 years ago. This also represented new outlets that had not been created by either coal or oil. In the oil states the big increase in consumption of natural gas since 1922 has, however, been gained at the expense of railroad-hauled fuel oil.

The Real Loss

Converting these 1922 totals into their respective equivalents of 3.6 million tons of fuel oil and 15.4 million tons of coal, with freight charges of $13.1 millions and $34.3 millions, the railroads' hypothetical claim shrinks to the displacement since 1922 of 7.5 million tons of fuel oil and 483,000 tons of coal and the revenue loss of $75 millions is reduced to $28 millions.

Somewhere between 40% and 60% of natural gas is produced in conjunction with petroleum, and the practice of pumping gas back into the wells to boost the recovery of oil may tend to check the sale promoted by petroleum companies when they had to rid themselves of unwanted gas production in order to meet conservation laws. Proper correlation of oil and gas supply also forecasts a more stabilized gas output.

In any event, piped gasoline threatens to become an even greater competitive menace to the railroads. Pipe line shipments of gasoline that in 1931 totaled 1.6 million tons will reach 3.6 million tons in 1932. This represents $20 millions in terms of freight revenue the railroads didn't get that may be added to the $28 millions which can fairly be charged to natural gas pipe lines.

The mileage of gasoline pipe lines now is 3,500. Pennsylvania is criss-crossed by N. J. Standard's Tuscarora extending from Bayonne, N. J., to the Ohio border, the Sun's Susquehanna line which reaches from Philadelphia into Ohio and up into New York state, and the Atlantic Refining Company's Keystone line distributing gasoline locally in Pennsylvania. Socony–Vacuum pipes gasoline from Providence, R. I. to Springfield, Mass. The Phillips Petroleum Co's line feeds gasoline from the Texas Panhandle into Kansas City and East St. Louis. The Great Lakes line, owned jointly by several Mid-Continent companies, brings gasoline into St. Paul, Chicago, and Omaha from Oklahoma refining points.

Keystone

IVAN BOEFF—He is assistant commissar of foreign trade for the Soviet Union. He is visiting New York (at a time when American trade is lowest since 1924) to discuss commercial and financial affairs with Amtorg. He pronounces it "BOY-EVF."

Looking Ahead

The versatility of the gasoline pipe line, the ease with which capacity may be increased by speeding up pumps and looping certain portions, and its use in combination with tank-steamers and tank-trucks may presage great extensions in future. From another standpoint, the gasoline pipe line may be regarded, however, simply as a medium that has served to compensate for excessive concentration of refining capacity handicapped by stiff rail rates in the face of a falling price level. This view would permit the railroads to hope that, with more latitude in rate-making, they could forestall further pipe lines.

The railroads and tank-trucks have so far handled most of the growing business in "bottled" gas, although the Phillips Petroleum Company is feeding some into Illinois via its pipe line. This gas is propane and butane, lively hydrocarbons that can be pumped or shipped in liquid form if compressed. Commercial sales of this liquefied gas by natural gasoline line plants in 1931 amounted to 30 million gal.; 170 million gal. produced at such plants and 255 millions at petroleum refineries was

consumed almost entirely as fuel in the plants. The more imaginative engineers visualize distribution of the vast potential supply by pipe lines and tank-trucks in competition with manufactured gas for household and industry.

Crude petroleum pipe lines and the railroads grew up side by side. There could be no competition as between a cost of $\frac{2}{5}$¢ per ton-mile by pipe line and $\frac{3}{4}$¢ by tank car. Perhaps the railroads might have laid pipe lines in their rights-of-way but the outcome of such a step will be forever obscure as it has since been demonstrated that the pipe line's economic status is as an adjunct of the refinery and not as an independent carrier. A plant that must be located within quick and easy reach of its market, according to Joseph E. Pogue, pipe-line engineer, must also protect its investment by providing a system of transporting crude to itself that will tap shifting sources of supply.

Because their costs are even lower than the pipe lines, coastwise tank steamers fed at Gulf ports by pipe lines from the Mid-Continent and Texas fields are diverting traffic from the overland pipe lines to the Atlantic seaboard. But railroads have had to retreat wherever the pipe lines have penetrated and their crude petroleum traffic today originates mostly in small fields where construction of pipe lines is not justified. The interstate petroleum pipe lines with a mileage of 93,000 carried nearly 150 million tons, the railroads 13.5 million tons of crude petroleum in 1931.

Winter Comes to the Payrolls

Of course, November stopped the rise in employment. It always has. But, though wages were badly nipped, it blighted fewer jobs than usual.

OPTIMISTS who had expected the fall upturn, work-sharing and sweet charity to reverse winter employment trends have been disappointed by the November job totals. For 17 major industrial groups, reports the U. S. Bureau of Labor Statistics, employment dropped 1%, payrolls 3.1% below October levels.

Realists who knew that cold weather would inevitably take its toll find reassurance in the comment of President Green of the American Federation of Labor: "Unemployment increased less this year than in any other November since we have kept records."

Exceptions to the general seasonal trend provided some additional encouragement. The metalliferous mining group showed a gain of 4.7% in number of workers, of 4.3% in payrolls. Bituminous mining provided 3.5% more jobs, 0.7% more wages. The retail trade group raised employment 0.5% to meet the Christmas pick-up, though payrolls dropped 0.3%. Electric railroad operations accounted for one of the few group wage increases (0.3%), though its job-roll was cut 0.7%.

In manufacturing, where employment slipped 0.8% as compared with October and payrolls were down 3.3%, 43 industries out of 89 took on more workers. Prominent among these were industries producing agricultural implements, beet sugar, aircraft, automobiles, plumbers' supplies, men's furnishings, rubber boots and shoes, typewriters, clocks, explosives, pottery, stamped ware, machine tools, hosiery and knit goods, leather, rayon, shirts and collars.

Here's New York's Experience

New York State found its 1% decline in factory and employment from October to November disturbing because the average seasonal drop for the years 1914-31 was only 0.4%, reassuring because it was less than in any of the 3 preceding "depression years." Says Industrial Commissioner Frances Perkins, whom Governor Roosevelt would like to take to the U. S. Labor Department next March: "The major part of the decrease was due to seasonal declines in the clothing and millinery, food and tobacco, fur, leather, and rubber goods groups; some good-sized increases in the metal group partially counteracted the decline." New York City felt the seasonal influences worse than the state as a whole, cut employment 3%, wages 6.4%.

Sharp decreases in manufacturing activity, offsetting gains in non-manufacturing groups, pushed the Illinois job-roll 0.4% below the October level, slashed payrolls 3.6%—which also was not so bad as the preceding "depression years." Scrutiny of the thin list of exceptions to the general decline shows that November brought more jobs in coal mining, wholesale and retail trade, textiles, metals and machinery, wood products, printing and paper goods. Payroll cuts went far and wide. Chicago factory employment is lower than in any month except last July, all-time low; payrolls are lower than even then.

California's Testimony

In California, where the October to November decline dropped manufacturing employment 8%, payrolls 9.4%, the exceptions were petroleum producing and refining, textiles, publishing, chemicals and paint, all of which provided a few more jobs in November.

Similar exceptions of a very limited significance were recorded in other states. Most notable exception among states as a whole was Michigan where November brought a 5.2% rise in employment and added 16.6% to the payrolls, largely reflecting the seasonal

The Business Week

NO METAL CAN TOUCH IT—The rubber covered valve for automobile tire tubes developed by Goodyear. Vulcanized to the tube, they eliminate the locknut often responsible for leakage around the base, save damage in flat tires.

awakening of the automobile industry and its suppliers.

Everywhere, the chill November breezes nipped payrolls more severely than job-rolls. The U. S. Bureau of Labor Statistics warns meticulously that allowance should be made for the fact that Election Day and Armistice Day came in the November pay period. There remains the fact that there is still no holiday or armistice on wage-cutting.

Normalizers

Tin plate manufacturers learn to improve their product and within a year an improved process sweeps through the industry.

CASTING and rolling of metals distort the crystalline structure of the material and set up strains that used to lead to breakage that nobody understood. It is commonplace, for example, that a pressed glass bottle, just out of the machine, will snap with a tap of a fingernail. Metallurgists discovered that heat treatment, carefully regulated, would permit the crystals to rearrange themselves, make the overall resistance to breakage greater.

A normalizer is a heat treating furnace that does just this job. Put through a normalizer, steel sheets can be pressed and drawn to greater depths without fracture. All automobile body sheets are normalized nowadays.

The interesting development of 1932 was the spread of the idea to tin plate production. About a year ago, Jones & Laughlin of Pittsburgh put in the first tin plate normalizer. The product was so superior to competitors' that other producers had to fall in line. McKeesport Tin was next. The rest followed, and within 12 months, all but a few have installed normalizing apparatus, all purchased from the Surface Combustion Co. of Toledo.

There are many uses for tin plate which call for deep drawing—as screw tops for jars—and there are other uses which constantly suggest themselves as the possibilities become apparent. Quietly, therefore, a market and an industry are being revolutionized.

Palm Beach

BROADENING, indeed doubling, its potential market, Goodall Worsted Mills plans to promote women's wear manufactured from Palm Beach cloth this coming season.

Palm Beach cloth, originated by Goodall, is a mohair-cotton mixture which until now has been exclusively masculine. Women's sport wear exhibited at a recent style show created a mild sensation.

New Things

Progress of past 2 years to be shown in January exposition.

INTENDED to impress the public with a sense of the strides made within 2 years—even though they have been depression years—in the development of new products, the "New Materials, New Products, New Uses" exhibition will be held this month in New York by the National Alliance of Art and Industry.

Exhibits must be new, that is, placed on the market within 2 years, or not yet placed on the market, or, third, must show a new use of material, or a new process which affects the design quality of material.

Piracy

By giving the retailer an "out," textile men win united support for a new bill to protect original patterns.

YEARS of effort have been spent in not too successful attempts to stop the pirating of textile patterns. Patent law as applied to other inventions has proved inadequate protection; copyright law also fails to meet the needs of this particular industry. Cooperative policing agreements have done some good, but never have been able to stamp out all thievery of popular designs. Proposed laws usually have split upon a rock, and in many cases this rock has been the opposition of the retailer who, in most such proposed bills, was made liable to prosecution.

At last, textile interests have reached substantial agreement upon a bill introduced in the Senate Dec. 7 which seems to remove many objections, and in particular does not antagonize the retailers.

The bill provides that any original author of a design, or his assignee, may procure registration by filing two specimens or drawings. The Register of Copyrights shall make a search and issue a certificate of registration within 7 days if he finds the design original. Thereafter, the design is protected for 5 years. Possession of a certificate of copyright creates legal presumption of originality, and paves the way to injunction against alleged infringers.

Retailers, however, are not liable for damages unless they buy goods after they have been served with a notice that injunction has been granted, or unless they refuse to disclose full particulars of the purchase of infringing goods.

Penalties for infringement are put at not less than $2,500 for manufacturers or importers, $400 for others.

Copyright holders must utilize the design within a year.

City Credit Good

Bonds in default an insignificant fraction of American municipal issues; it is the hullabaloo over short-term borrowing that gives cities an undeserved bad name.

MUNICIPAL credit is essentially sound. Cities are not overloaded with debt; they will meet their obligations. There has been a great hullabaloo in the daily press, but anyone who will analyze the facts will see for himself that the trouble has been in temporary financing; long-term funded obligations have been well taken care of.

Chicago, the pet example of the pointers-with-alarm, has met promptly all of its bond maturities and interest. Chicago's much-advertised troubles originate in a faulty assessment system, which broke down about three years ago. Since then, current borrowing has been difficult.

There are in the United States 309 cities with a population of more than 30,000; of these only 11 are in default on bonds. If the total debt of these 11 cities were in default, it would represent only 1.8% of the total debt of the 309 cities of this group. With 7 exceptions, all have balanced budgets. The record of the cities below 30,000 also is good. Among cities larger than 1,000 and less than 30,000, there are 639 defaults. The total involved, expressed in percentage of total public bonds, of course is small.

There are plenty of things wrong with municipal fiscal administration, however, according to Carl C. Chatters, writing in *Engineering News-Record*. Greatest fault, perhaps, is the bad habit of short-term borrowing. If cities would synchronize collections with expenditures, and stop borrowing from banks on anticipation warrants, they could save $40 millions a year. New York City alone could save $3 millions a year. Annual borrowings of this sort have been estimated by the *Bond Buyer* at close to $1 billion for the first 10 months of 1932, which is 25% above the long-term financing for municipalities. Ohio has got rid of this; in 1931

the 5 largest cities of that state paid nothing in interest on floating debt, and the smaller cities paid only $90,000 all told. Only 12 of the 25 largest cities in the United States properly harmonize tax collecting and tax spending periods.

Another needed reform—cities must get over the idea that they can spend up to the limit of taxes levied, plus miscellaneous revenues. They will have to shake down to taxes collected, which is another story, particularly these days.

It is probable also that new sources of revenue must be sought; real estate cannot bear the proportion it has in the past.

Nor can sloppy and ignorant fiscal administration be tolerated much longer; cities are getting too big. There were 8 cities which in 1930 had larger revenues than the states in which they are situated; 116 cities had more revenues than the state of Nevada. The 25 governmental units with the largest revenues in 1930 included the federal government, 14 states, and 10 cities.

Chase Bank's New Chief

Winthrop Williams Aldrich, with the solid Rockefeller backing, takes firm command of the biggest of all banks, giving an occasional grim surprise to those who think he's just a family lawyer.

The Business Week

A NEW FORCE—W. W. Aldrich will be acknowledged chief of the world's largest commercial bank when A. H. Wiggin retires Jan. 10. Law-trained, quiet, he has already shown Wall Street he is not to be crossed.

THREE years after Albert Henry Wiggin built New York's Chase National Bank into the world's biggest, he announces his retirement as its chairman. The resignation becomes effective Jan. 10, a month before the birthday that will make Mr. Wiggin 65. Somewhat worn by events surpassing the experience of his generation, the veteran steps down to leave the navigation of a vast institution of the hands of younger men.

The succession did not follow exactly as Mr. Wiggin had once arranged. An important asset gained by Chase years ago when it merged with the National Park Bank was Charles Simonton McCain. The old giant was acquiring a younger lieutenant to inherit his mantle when he should eventually choose to quit.

How Tempus Fugits

In March, 1930, Mr. Wiggin executed the grand coup of his career—he merged Chase and the Rockefellers' dollar-solid Equitable Trust Co. With the Equitable came Winthrop Williams Aldrich. Technically the sequence of command was: (1) Wiggin; (2) McCain; (3) Aldrich. Since then much water has run over the dam despite clogging floes of frozen assets.

Fusion with Equitable beautifully rounded the Chase organization. Besides the sound paper in its vaults, the Equitable added a judicious string of foreign branches. Nor was the new institution weakened by the fact that it became "the Rockefeller bank." The Rockefellers are a thrifty and pious clan. They cherish certain old-fashioned ideas as to the duties and functions of banks.

Thar's Gold in Them Hills!

During the rosy days of the boom, the Equitable had watched as bank after bank outfitted a securities affiliate and wandered off into the bonanza of the Stocks-and-Bonds Mountains. There was gold in them hills. The Equitable saw joyous parties return therefrom, heavy laden, with songs on their lips and gold fever in their eyes.

But the Rockefellers clung to the good old Baptist idea that the hawking of securities was no part of a bank's business. Passing prospectors were warned that the aureate hills hid hostile Indians as well as gold. Despite the jeers of adventurers the Equitable denied itself a securities affiliate.

Chase had joined the gold rush. It came back with its scalp in place, its constitution unscathed, but with arrows and spear heads imbedded in tender parts of its anatomy. Extraction of these barbs required a strong hand guided by an eye not given to tears. Mr. Aldrich of Equitable, aloof and unemotional, developed a masterly technique for yanking out poor loans, for protecting the biggest bank's physique from mental shock.

The End of Argument

About a year ago it was noticed that the Aldrich influence was increasing. He took personal charge of the Fox Film misfortune. An order went out that big loans must have the Aldrich OK. During a certain family argument the Rockefeller, Vanderbilt, and Astor interests in the bank lined up with Mr. Aldrich—and that was the end of that. Mr. Aldrich will, regardless of official title, head the Chase on Mr. Wiggin's retirement. Add the rise of this banker to the things Wall Street did not foresee. When he became head of the Equitable late in 1929 the wiseacres and wisecrackers of the financial district said,

"Family! Aldrich will be just another figurehead."

The man wasn't a banker at all—he was a lawyer. His father was Nelson W. Aldrich, senator from Rhode Island, an authority on financial affairs. A sister of Winthrop Aldrich married John D. Rockefeller, Jr. No wonder (said the wise ones) Mr. Aldrich could become counsel for Equitable and later its president. There was about the man none of the wide-smiling, back-thumping cordiality expected by the inner-circle of the fraternity. He surrounded himself with a cool reserve which the discerning recognized as diffidence, and the unwise took for weakness. No hearty hellos accompanied his morning entrance at the office. With stiff cold strides he marched from the door to the elevator and thence to his desk by the directest route.

How to Be a Doormat

Misguided wights who sought to circumvent the Aldrich plans soon learned what all The Street now knows: That here is a banker who goes from one place to another by the straightest line. Those who get in his way are apt to get walked upon. His language is brief and precise, lacking the diplomatic embroidery one might expect from an attorney. (In this he differs from Mr.

Wiggin, who can be the most affable and most adroit of men.)

The new set-up will be hard to beat. Mr. Aldrich will control with a steel fist—and no velvet covering. The McCain qualities form a perfect complement. He is approachable and friendly. He is a born banker, his entire business experience having been in that line. The affable qualities necessary to protecting valuable business friendships and making new ones he has in plenty. In his hands, the old Wiggin policy of promoting the goodwill of obscure banks and bankers will be further developed. (Chase has loans of a few thousand dollars to many of these small-timers. Mr. Wiggin always dinned into subordinate ears this injunction: "Don't let the fact that we are the largest bank go to your heads. Keep the friendship of every small bank executive. The cashier of the smallest bank some day may be cashier of a big one.")

A Sugar-Barrel Bank

Proof of this wisdom is found in the career of Mr. McCain. He was the son of an Arkansas lawyer. Finance attracted him so much as a boy that he worked in a bank without pay during holidays. His executive experience started in a roped-off section of a country store at McGehee, Ark., where he launched a bank with $1,000 capital. At night he hid the institution's resources in a sugar barrel. Mr. McCain is a Yale graduate; Mr. Aldrich went to Harvard. They are almost the same age—the former is 48, the latter is a year short of that.

The Chase has come through the past tumultuous years with total resources of $1,855,000,000. Bad spots have to a large extent been cleared up. The bank's executive line-up is its insurance for the future.

Christmas Club II

Retailers join it to bait sales with "savings certificates" and help collections along.

HAVING distributed $440 millions through 8,000 member banks, Christmas Club, New York, embarks on a new campaign designed to aid retailers. The idea is to give consumers discounts on sales of 25c. or more, the total being paid after Dec. 1 when pressure of Christmas needs makes extra money most welcome. Here's how it works:

The retailer joins the Consumers Christmas Fund, buying certificates on a price that goes down as amounts go up. Any number of stores in a town may participate as long as there is only one store in each line. Consumers are signed up by these stores and are given blank books in which "savings certificates" are pasted as purchases are made. The rate of discount is 2% on cash sales and (important as a collection stimulant) on all credit accounts paid when due. Thus on expenditures of $3,000 during the year, the consumer would receive a check for $60 just before Christmas. Originators claim that the plan is unique in that its certificates are redeemed in 100% cash.

An important sales point is that certificates will not be sold to national chain organizations. Independents and local chains are expected to employ the plan to counteract low-price features of the national organizations. Consumers Christmas Fund now is being merchandised. Retailers who have tested it declare it has extra value as a creator of steady customers; they come back to stores which will help fill certificate books.

H. F. Rawll, president of Christmas Club, believes the new affiliate may surpass the older organization in volume. Stores cannot join Christmas Club because banking laws forbid. The new plan fits the basic idea to the retail merchandising field.

Horses

Draft animals in strong demand on farms which grow hay but no gasoline.

DEMAND for draft horses in the Chicago market is brisk—or, if that is too strong a word, it is stronger than it has been at any time during the past 7 years. Prices are not as high as paid 10 years ago, but they are higher relatively than for any other livestock. The average price today for draft horses is $70.

The reason is that the horse can be fed with crops grown on the farm. It takes cash to feed a tractor. So even if a careful accountant could prove that the tractor costs less over a spread of years, the farmer's answer is, "Maybe so, but I have grass and I have no money for gasoline and oil."

A death rate double the birth rate has brought the number of horses on farms down to 16 millions, a reduction of 7 millions in 10 years. Average age today is high. The useful life of a farm horse is 15 years.

In the South the Bureau of Animal Industry notes a revival of plowing by oxen. The answer is the same as the comeback of the draft horse. A yoke of oxen plows more slowly than a pair of horses, but with idle sons around time is not so important. Moreover, oxen can plow deeper. And with either oxen or horses, Dad saves part of his fertilizer bill.

New Jersey Zinc

DIE CAST—Thermos servers used to be stamped, with forged handles attached later. Now they are die-cast of zinc, finished in chrome and silver plate, sold at prices which expand old market possibilities.

Your company can strengthen itself by insuring the lives of its executives

Metropolitan Life's contracts afford a means to

—create estates and incomes for families
—pay off mortgages
—educate children
—provide income in the event of retirement
—establish business credits
—stabilize business organizations by indemnifying them against the loss of key-men
—provide group protection for employees covering accident, sickness, old age and death
—provide income on account of disability resulting from personal accident or sickness.

Metropolitan policies on individual lives, in various departments, range from $1,000 up to $500,000 or more, and from $1,000 down to $100 or less—premiums payable at convenient periods.

The Metropolitan is a mutual organization. Its assets are held for the benefit of its policyholders, and any divisible surplus is returned to its policyholders in the form of dividends.

LEADING credit organizations ask, "What is the amount of life insurance carried in favor of the Company?"

Many a small corporation with limited cash reserves is able to transact business on a large scale if it has executives of integrity and ability and a high credit rating.

Life insurance on the lives of officers or key-men is an outstanding asset of successful businesses, whether big or little.

FIRST—the lives of these important men are insured for the benefit of the company in substantial amounts.

SECOND—in event of the death of one of these individuals, life insurance will provide immediate cash which will maintain the confidence of creditors who otherwise might fear that the company's financial position had been weakened.

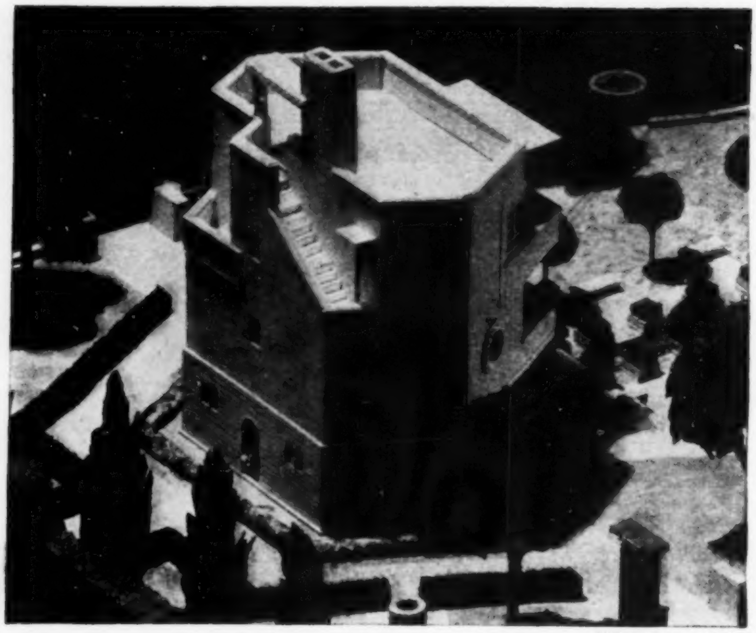
THIRD—this life insurance will place the corporation in a position to employ a competent successor, without putting additional drain on its resources.

Any officer or director of any corporation, large or small, is invited to ask for a program of practical value to his company.

A Metropolitan Field-Man will supply full details

METROPOLITAN LIFE INSURANCE COMPANY

FREDERICK H. ECKER, PRESIDENT · · · ONE MADISON AVE., NEW YORK, N. Y.



Miller's Housing Letter

ALL BRICK—The house that brick built, to be exhibited at the Chicago Century of Progress Exposition. Its 5 rooms and bath are all above ground, based on a reinforced brick slab. Floors, walls, stairs are of reinforced brick.

Housing

The President's Conference gave the home-building industry a handbook; the Chicago Exposition may give it publicity to overcome the ancient prejudice against what is new in methods and materials.

THAT large, vaguely outlined, and loosely connected complexity called the building industry continues to look with a hopeful eye on the potentialities of the market for homes, and to make plans while the sun is dark.

Two new influences have appeared which give a push to public opinion. First is the publication of the final report of the President's Conference of Home Building and Home Ownership. Second, is the growing importance of the Chicago Exposition as a point of departure for new ideas in home building.

Wide Study Started

President Hoover's Conference on Home Building and Home Ownership was one of those things which gave rise to the not very funny Capitol cracks about the government going on a commission basis. It met in August, 1931, "to undertake the organization of an adequate investigation and study on a nation-wide scale of the problems presented in home ownership and home building."

The planning committee appointed 25 working committees, each to study a special field, and 6 correlating committees to deal with the questions of aim and method common to the fact-finding committees. The 31 committees lumbered into action with a dual objective, one—intangible— to "make America housing conscious," stimulate interest; the other—very tangible—to "assemble in one place an unprecedented range of data and experience on housing."

These objectives have been, in great measure, attained. What will be the ultimate and tangible effect of the intangible activities of the Conference cannot be estimated. But out of this congress of committees has come a great contribution to the conduct of the building business, a compilation of facts, of scattered and inaccessible data and experience, which constitutes a handbook of housing, much needed, never before obtainable.

It is the 11th and concluding volume of this manual, "Housing Objectives and Programs," which is of greatest interest to business, summarizing as it does the reports of the 25 fact-finding committees. Particularly impressive is the chapter on technological developments in this field.

Here is outlined the development of the American house from the first crude dugouts of the colonists to the gingerbreaded villas of the last suburban overdevelopment. Compressed into 70 pages are all the facts about foundations and floors, roofs and rooms, insulation and air conditioning, sanitation and safety, that are needed in planning an efficient home today.

Clues to Future

Manufacturers of present-day building products will find in it a clue to the future of their shingles and sinks. Makers of the houses of the future will find a point for their programs. Producers of steel and copper, wood and brick, asbestos and aluminum will gain ideas for the adaptation of their products.

Man's shelter has come to pass by trial and error: He built a fire indoors, and had to punch a hole in the roof to let the smoke out; even when he got glass in his windows and insulation in his walls, his housing followed tradition, and all his modern improvements have been tacked on the same old system.

Old Ways Wasteful

It is the contention of the conference that such progress is too slow and too wasteful; that knowledge of better methods and materials is already in hand, awaiting only application; that we can, by taking thought, add several cubits to the stature of the market for homes by bringing their structural costs down to a point within the wage earners' level.

These are not vague hopes, but definite suggestions. We know today that fabrication on the site is costly and wasteful; that welding pipe, for instance, is quicker and cheaper than hand-threading it; that small, efficient kitchens and bathrooms could just as well be built in the shop, complete with fixtures, ready to be inserted in the shell just as boilers are put in place in the basement. Even bedrooms, similar to the staterooms on a ship, with built-in beds, seats, wardrobes and windows, are but a logical extension of the idea and would get the ultimate cost of shelter down.

Plastics, now used for small units (telephones, base plugs, etc.), have larger possibilities. Moulded doors and windows are suggested.

Good Earthen Homes

Houses of steel and copper and aluminum, of wood and masonry and plastics are discussed. So are houses of earth, plain good earth rammed between forms until it rings, without benefit of any other manufacturing than that provided by a gang of muscular fellows with a tamper, power or hand.

The committee recommends this rammed earth for rural use where labor is cheap, and for consideration else-

where with modern construction equipment. Furthermore, the committee suggests, it could be used to give an air of solidity to an otherwise flimsy-looking if technologically perfect construction. People, it believes, have a prejudice against houses which appear light and flimsy, however strong they are actually.

That brings up a point of great importance to designers of the houses of the future. Buyers have many ancient prejudices which will have to be removed if modern methods are to find a market. For, as the Conference reports, any effort to reduce the cost of the small house by factory fabrication will of necessity tend strongly to lightness because the weight of the fabricated sections or unit-rooms must be low to permit economical transport and handling.

Chicago to Show 'Em

The Century of Progress Exposition in Chicago, next June to November, may be a turning point in public acceptance of the new housing principles. The exposition buildings themselves are modern in architecture, make use of new materials and methods of construction. And there will be on exhibition, 8 small houses in the new manner. Of these, 7 will have flat and useful roofs to break down Ancient Prejudice No. 1. All will present advanced ideas in home building.

Insulated Steel (sponsored by American Rolling Mill Co.) which built the spectacular frameless steel house in Cleveland, will show a 7-room house, with 2 baths, garage, solarium (on the roof) and forced-air heating. It will be porcelain-enamelled without, in some places within, sell in the neighborhood of $5,000.

Other New Models

General Houses, Inc., will display a steel house, also. So will Carl A. Strand, of Detroit. The common brick house, a model of which is pictured, will be the first all-reinforced brick dwelling in this country. It is built entirely above ground on a slab of reinforced brick masonry. Floors, walls, even stairs, are of brick.

The Masonite house, offered as a sample of what can be done with that manufacturer's materials, the Florida house, built of materials from that state, and the concrete slab house, all have flat roofs. Only the house of wood will cling to the traditional sloped roof because of the necessity of displaying shingles.

Perhaps, if 50 million people, enough of them bankers and building-loaners and builders, can be shown the economies of these new ways of doing things, we shall see more unit-rooms, steel floors, insulated panel walls, and flat roofs. And neat, small houses at $2,000 which open up vast untouched markets provide a most effective kind of slum clearance, at a profit.

• Wide World

QUICK CHANGE—One of the new automatic money changers installed in the Berlin post office and railway stations to speed up service.

Glass Houses

New glass bricks are hollow blocks; made into a wall, they solve an old lighting problem, present a new technique in color building.

Glass houses, strong enough for people who throw stones to live in, are promised by further development of the glass brick by Owens-Illinois, great blowers and moulders of glass.

The first glass building blocks were 5-sided affairs, laid open side down. They were not satisfactory. The small area presented by the open side made them difficult to lay. Walls built of them quickly fogged and discolored due to condensation of moisture.

The new blocks are 6-sided, made by pressing a 5-sided unit and adding a lid. The result is a hollow glass brick, hermetically sealed, which is supported by a full bed of mortar in the manner to which masons are accustomed.

Prepared at Factory

To make them easier to handle, the bricks are coated with cement paint on the sides normally in contact with the mortar. This effects a better bond between the mortar and the block, prevents the mortar from dropping off the block, gives suction while being laid, acts as waterproofing, eliminates air pockets next the glass. This painting is done in the factory, where conditions are better controlled and costs are lower.

Inexpensive Color

The cement paint may be colored, which gives an unusual effect when reflected and refracted by the glass. It is this ability to take a color (without the expense of actual colored glass) that makes the glass brick such a big possibility for commercial work. Store fronts, service station buildings, even the larger commercial structures may carry designs in color. By careful calculations, signs and trademarks may be built in.

Of equally great interest is the use of the Owens-Illinois glass block for factories, schools, and other buildings where light is of great importance. To gain shadow-free lighting, factories have been built with saw-toothed roofs admitting only north light. Shades and awnings, painted windows have been used to stop direct sunlight, but they cut down the amount of light as well.

In a glass block wall, light is transmitted without glare. Direct sunlight will not cause shadows on the inside. The sunlight is reflected by the mortar joints and is diffused into a soft and restful light. Architects hail the possibilities for machine shops, operating rooms, drafting rooms, and studios.

Of thick, tough glass, like the deadlights in a sidewalk or a boat deck, the new bricks resist breakage. A small boy, an irresistible urge, and a stone are nothing to be afraid of.

Saturation

How far we are from the ultimate possibilities of development is shown by a little statistical work in the electrical industry alone—which has $51 billions yet to sell.

Assailing the complacency of the public utilities and holding out new ambitions for them, *Electrical World* at the beginning of the New Year offers an analysis of potential markets which is a bit breath-taking in its proportions. Yet it seems unanswerable.

Remembering that *Electrical World*

is not predicting what will be done within the next few years, but merely pointing out what is the limit of possibility, consider the following figures:

There are 29 million homes in America; 20 millions have electricity; 13 millions have telephones; 23 millions have automobiles. Of the 29 millions of homes, at least 25 millions could afford electricity.

Home Markets

Of these 25 million homes, 21 millions have no electric refrigerator. There are 24 millions without an electric range. There are 25 millions without electric water heaters; 17 millions without clothes washers; 24 millions without ironers; 25 millions without dishwashers; 17 millions without toasters; 19 millions without coffee percolators; 16 millions with no vacuum cleaner; 20 millions with no electric clock—and 5 millions without even an electric iron.

Above all, there are at least 100 million empty lighting sockets.

The 20 million customers now on distribution lines spend \$34.50 each for current; conceivably this could be \$150 annually. The maximum could be approached either by building the new equipment into new homes, financed as part of the mortgage, or by installation in old homes on instalment purchase contracts on a rental scheme.

Business Markets

Pushing on past the home market, the survey points to 4 million business establishments, only 3 million of which have electrical service. These business houses could use lighting for signs and for display, power for air-conditioning, for heating, for labor-saving devices.

The 6 million farms have only 700,000 present customers. Besides all the services urban customers want, there are a dozen or so special uses for electricity on the farm.

Transportation is an underdeveloped market—electrification of railroads is just beginning. Then there are airways to be illuminated, and highways, which one day may eliminate automobile headlights by having installed illumination, with a great gain in safety.

Still Room to Grow

Industry has gone further than the domestic user in adopting electricity. Yet it is estimated the potential market is 63 billion kilowatt hours, while use today is but $3\frac{1}{2}$ billion.

All this takes no account of air conditioning, or other promising fields as new as that.

Just to give some round, thumping totals, the estimate of possible use of electricity in the United States, not considering the new and experimental things, is \$7 billions, whereas today's bill is \$1.6 billions. Then there is \$29 billions of equipment to be sold, and so on, until the market potential is put at \$51 billions.

Wide Reading

TECHNOLOGY SMASHES THE PRICE SYSTEM. *Harpers*, January. Howard Scott—director of the Energy Survey of North America on which is based the present controversy over technocracy—sponsors an article about the much-mooted question. Interesting because of its authority, but still not convincing.

A YEAR AND A HALF OF CRISIS. Sir Arthur Salter. *Yale Review*, Winter. The most important adjustment that can be made in tariff thinking is the "explicit condemnation of the miscalled 'scientific' principle of making a tariff equal to the difference of costs at home and abroad. Trade is based upon this difference, and the compensation for the difference by tariff is destructive of the very foundations upon which trade rests."

THE TWILIGHT OF FREE TRADE. Willis J. Ballinger. *Forum*, December. Some 67% of our imports are duty free. They come from countries outside Europe and countries whose economic structure does not simply duplicate our own. Trade with these countries will work harmoniously with our tariff. That should be our goal—to have both our tariff and our foreign trade, the one assisting us to keep our economic life under control and the other enriching it.

ROADS OR RAILS. Ralph Borsodi. *Purchasing*, December. We must be made to realize that "railroads are not necessary to our economic welfare." Only "transportation (not just railroad transportation) is a real necessity of modern society."

THE CRIME OF CUBA. Carlton Beals. *Common Sense*, Dec. 29. Some revelations concerning Cuban politics and American banking policy.

HYPOCRISY AND THE PHILIPPINES. Raymond Leslie Buell. *Nation*, Dec. 28. A clear analysis of the present situation; an indictment against Congress' present plan; suggestion of an intelligent and fair solution of the problem.

DOLLARS, DOCTORS, AND DISEASE. William Trufant Foster. *Atlantic*, January. "Society must look forward to providing for health on the same basis as education. A tide of public opinion inimical to the medical profession is rising which has already become a distinct menace." More pertinent discussion of the survey on the medical profession.

INSIDE THE R.F.C. John T. Flynn. *Harpers*, January. From February to June, the R.F.C. did not publish the names of those receiving loans. Mr. Flynn, who is widely known for his articles revealing the "inside" truth, gives some of the facts about loans made during the "period of secrecy."

PAYING TOO MUCH FOR ELECTRICITY. Morris L. Cooke. *New Republic*, Dec. 21. Electricity rates to domestic consumers are unjust. They are not based on costs. Domestic users paid $1.4 billions of last year's $2 billion electric bill. They are demanding an adjustment of rates.

THE STATE OF THE FEDERAL FINANCES. Robert Murray Haig. *Yale Review*, Winter. Federal finances are grossly misinterpreted. The deficit, though large, is not so serious as it appears on the surface. "If the powers decide that new and heavy taxation must be imposed at once, it by no means follows that some form of sales tax is indicated. The desired sum can be obtained with greater advantage to general welfare through the personal income tax."

RECOGNIZE RUSSIA NOW. Louis Fischer. *Nation*, Dec. 28. A Moscow point-of-view on the question Roosevelt is expected to handle soon after Mar. 4.

AN AMERICAN FARMER LOOKS ABROAD. F. B. Nickols. *Foreign Affairs*, January. "Cynics have said that it would take an earthquake to wake up the Middle West to an appreciation of the need for larger foreign markets and better international understanding; 30-cent wheat, 18-cent corn, and hogs at $2.75 have done the job." A Kansas farmer talks to business men.

REPORTS—SURVEYS

STAINLESS STEELS AND THEIR USES. Electro Metallurgical Co., New York, 20 pp. Brief summary of the major applications of the heat and corrosion resisting alloy steels.

CREDIT MANUAL OF COMMERCIAL LAWS FOR 1933. National Association of Credit Men, New York, 492 pp. Fundamental legal principles and specific state regulation—a guide to credit and business executives.

WORLD ECONOMIC SURVEY, 1932. League of Nations, 327 pp., $2.50. Distributed by World Peace Foundation, Boston. First world economic survey—including depression period through July, 1932.

BOOKS

THE PURCHASE OF MEDICAL CARE THROUGH FIXED PERIODIC PAYMENT. Pierce Williams. National Bureau of Economic Research, 320 pp., $3. Discussion of the basis of sickness insurance for American wage earners.

PLANNED MONEY. Sir Basil Blackett. Constable & Co., Ltd. (London), 5s. An attack on the variable purchasing power of sterling as the main cause of world trouble and of British industrial unsettlement. The author presents a scheme providing local currencies for the various economic units of the world. Each currency would be kept at purchasing parity and a kind of Financial League of Nations would supervise world exchange transfers.

WAR DEBTS AND WORLD PROSPERITY. Harold G. Moulton and Leo Pasvolsky. Century, 487 pp., $3. The indispensable handbook on war debts and their relation to current conditions. The summary every executive is after if he is at all concerned over "the next move."

LEISURE IN THE MODERN WORLD. C. Deslisle Burns. Century, 302 pp., $2.50. Besides more time, the new leisure will bring with it more energy. Work will "take less out of us." We will want new kinds of entertainment. Amusement industries should prepare for the change.

THE DISAPPEARING CITY. Frank Lloyd Wright. William Farquhar Payson, New York, 90 pp., $2.50. Vigorous denunciation of the congested modern city, without much that is new.

AMERICA. Ernest Minor Patterson. Century, 174 pp., $1.50. Compact, light review of shifting effects or nationalism with special reference to the United States.

"Give Them Work"

Germany's new Chancellor concentrates all his efforts on a make-work program. There will be no more wage cuts. People will be settled on the land. Foreign trade will be courted.

GERMANS trooped home from business one night last week, hurried through dinner, and turned on the radio. No "Stille Nacht" for them. They wanted to hear the new Chancellor's inaugural address.

They had not long to wait. The Chancellor was introduced without a flourish, talked straight from the shoulder.

"My program consists of one single point: the creation of work. (There are more than 5½ million jobless in Germany.) All the measures that the government will carry out in the coming months will more or less serve this one purpose."

Germans were impressed. The voice was quiet, determined. There was nothing of von Papen's over-dramatic manner, no jumping around over a half dozen issues.

Dominating Issue

"Traveling recently through the country, I have convinced myself that Germans of all classes are dominated by only one thought: 'Give us work—we are not interested in anything else, least of all in amendments to the Constitution and other fine things that do not feed us.'"

Here was a warning that von Schleicher was not to be downed on the problems of constitutional reform which helped bring about the fall of von Papen.

"The broad outlines of the von Papen program will be maintained." (This program (*BW—Nov2'32*) provided for government-subsidization of employment and a system of tax refunds.) "The part of the original plan which allowed employers to pay below the union wage scale has already been withdrawn. I shall not back any new plan to reduce wages. The social insurance system will be preserved and possibly improved. Cheap meat and coal will be provided for the unemployed."

Workers in the construction industries listened intently to the next announcement. "In addition to the 1 billion marks which have already been appropriated for public works, I shall set aside another half billion marks, and shall expand the scope of the program. To handle more thoroughly the task of finding new jobs, I appointed Herr Guenther Gereke Special Commissioner of the Reich to Create Jobs."

Germany's back-to-the-land movement gets a boost in the Chancellor's program to "give the people bread." Half a billion marks (nearly $12 millions) are set aside for the creation of large-scale land settlements. Germans on the Polish border noted that he specified that these new homesteads be established in eastern Germany. "Men standing on their own thresholds are the best frontier wall against invasion by foreign elements."

There's to be no boomerang in the Chancellor's program to give work. New industrial plants will not be built. "The program must be primarily directed toward repairs to existing industrial plants and their improvement." (Americans in Berlin commented on the similarity to the modernization policy in the United States which is functioning under A. W. Robertson of the National Committee on Industrial Rehabilitation.)

No New Taxes

"The financial situation in the Reich is still strained, but in the present budgetary year we shall be able to get through without new taxes or further reduction of expenditures for salaries." (Authorities think that the Reich will run into a deficit in the last quarter of the current fiscal year which ends with March.)

"As for autarchy—" Hamburg shippers leaned forward. So did manufacturers who depend on foreign markets for anything like a prosperous business. "Autarchy" is anathema to them. It is the jingoists' dream of a self-sufficient Germany. If Germans won't buy abroad, they can't expect to sell to foreigners. Only the farmers talk autarchy seriously. "I cannot back a system of self-sufficiency. Our main objective must be to develop the domestic market, but we must never forget the importance to German industry of our vast export trade."

Farm Aid Promised

Schleicher's announcement that the government will use the "tariff autonomy" which the Reich will regain after the expiration of the various commercial treaties during this winter (Sweden, Yugoslavia, Holland) in order to raise some of the agrarian tariff rates did not come as a surprise. He also referred, though vaguely, to plans which are now being considered by the government and which will assist dairy farmers and other "fat producers" by certain "internal measures." Apparently these measures will be directed against margarine first. One of the measures suggested is a law compelling margarine manufacturers to mix butter in their product in a fixed proportion. Such a measure has been in effect in Holland for some time.

There was an appeal for popular support. "The points of bayonets are hard to sit on," was his way of telling Germans that he didn't care to remain in office as a military dictator. "Joyous cooperation is asking a good deal in

Post

"GIVE US WORK!"—Long lines of unemployed wait patiently at this dole office in the Ruhr. Germany's jobless number 5½ million; Germany's new Chancellor promises a program "with one single point: the creation of work."

. . of the "Open Mind"

Twenty-five years of doing business along certain definite lines is apt to harden selling policies . . . is apt to set the executive mind "as hard as 10-day ice" against any change. But by keeping an "open mind", many a manufacturer has changed his policy . . . and won success.

Here's a case in point. Five years ago the president of a nationally known tobacco company called in an advertising agency. This in itself was a complete reversal of a 25-year old policy . . . But wait . . . the facts show it was a clear case of "open mind" meeting "open mind" for the agency people confessed at the start they did not know what feature of the product would appeal most strongly to the public.

They did not know . . . at the outset . . . but they very soon *created* technical laboratory equipment which would tell them . . . and the manufacturer . . . how all tobaccos, and this one in particular, affected smokers.

No guesswork, no hunches, but solid research . . . months of it on end . . . until they found the answer . . . a golden cash answer that opened up new and previously unheard of markets for this tobacco product . . . an answer so self-evident that the consumer in three years tripled the net profits of the Company. Starting from scratch . . . or almost so . . . this Company's product today has become the fifth largest seller among cigarettes priced at or above 15 cents . . . and this *at 5 cents a package higher than the four leading competitors.*

It is this flexibility of thinking, this determination to "know and act on the facts only", coupled with years of acquaintanceship with consumer, business and industrial buying habits, that accounts for so many of the most successful advertisers' use of advertising agency service.

McGRAW-HILL
PUBLISHING CO.
INCORPORATED
330 West 42nd Street · New York, N. Y.

Because McGraw-Hill's continued success depends upon the success of its advertisers, we publish this, the seventeenth of a series of advertisements on the value of agency service in the creation of sales-producing campaigns.

these critical days but I know that with the German people even that is possible if in all measures the social viewpoint is duly considered."

What Germans thought of the inaugural was reflected in the newspapers the next day. The Socialist *Vorwaerts*, beyond calling von Scheicher a "veiled capitalist," had little to criticize. Hitler's "brown-shirts" thrashed around for some sound criticism which wouldn't cause any further breach in their ranks and ended up with many a flimsy editorial keyed to the traditional "Is that all?" Beyond these, Germans were pleased, mightily pleased. Had the Chancellor not promised them work—and bread?

More Silver Money

Many countries revert to wider use of silver in their currency systems. Germany gets it from Russia. French mint fails to keep up with demand.

SILVER is getting into circulation again in some generally unsuspected places. Germany, for example, has been buying a lot of silver of late. Most of it has been coming from the Soviet Union. In 1929 the value of silver coins in circulation in Germany was about 915 million marks. In August of this year the total had jumped to 1,672 millions.

Berlin gave an impetus to the move last July when a law was passed raising the legal maximum for silver coinage from 20 to 30 marks per capita. The Reich is encouraging the use of silver by paying more and more of the salaries of government employees in silver coins. And since July, railways are instructed to use silver in all payments of 10 marks or less.

France is also going in for more extensive use of silver coins. When the French stabilized the franc, they provided for note circulation which was to be replaced in December of this year with silver coins. Last March the French mint delivered 100 million silver 10-franc pieces to the Bank of France with which to begin this note replacement. The mint is now working on silver 20-franc pieces but nowhere near the necessary number of silver coins can be produced by the end of the year to replace the entire note circulation which totals, now, about 3 billion francs. France, so far, has made no open market purchases of silver.

Shanghai Biggest Market

China (and Hongkong) has long been the only country in the world on a strictly silver basis. Shanghai is the world's greatest silver market. This year, one more silver currency came into existence in the Orient. The Japanese-sponsored Manchukuo, formerly Chinese Manchuria, will base its new currency on silver. The newly created central bank will issue notes based on the silver yuan of 23.91 grams of fine silver.

Rumania, Turkey, and Yugoslavia also figure in the silver news. Rumania, according to press reports from Bucharest, is to substitute silver coins for existing 20-lei coins and 100-lei notes. The total face value of the plan is $10.2 millions.

Turkey is less definite. In 1914, silver coinage was suspended. Early this year, Angora announced that silver would be reinstated as official currency. Definite news from the national mint, however, has not yet been forthcoming.

Yugoslavia has passed some very definite legislation concerning the use of silver as money within the country. More than a year ago, provision was made by the government for the minting of 450 millions of 10- and 20-dinar silver pieces. This summer it was agreed that an additional 550 millions of 50-dinar coins should be placed in circulation as soon as they could be prepared. At the same time, it is reported that 450 millions of 10-dinar bank notes will be withdrawn.

International News

GOING DEMOCRATIC — Viscount Kikujiro Ishii, member of the Privy Council, who is coming to see Roosevelt after he takes office in an attempt to revive accord with Japan.

German Blades Move

Tariff barriers have shut out German razor blades. Some manufacturers refuse to retire. They are moving their factories to their markets abroad.

BERLIN—German razor makers battled foreigners in their home market for 4 years, and succeeded in holding their own, once they cooperated in the battle. More than 200 German companies finally joined to fight the Gillette "threat." When they checked up at the end of the year they found that German manufacturers who had produced 132 million razor blades in 1928, had jumped their production in 1931 to 750 millions. More important, exports in 1928 absorbed only 68% of production. By 1931, nearly 75% of the enlarged output was shipped abroad.

The records for 1932 are not yet closed but some important results are known in advance. They have to do with the all-important export business in the razor and blade industry. German blades are popular. Germans are sure of this when they study their export figures for previous years. But other countries, like Germany, are trying to be self-sufficient. They have put up barriers, some of them so high that products are practically prohibited. England, for example, imposed an ad valorem duty on blades of 20% plus 2 shillings a gross. Sweden, Poland, Hungary, Czechoslovakia, Mexico, Argentina, British India have raised their tariff rates on blades by 100%, in some cases 200%.

Cheaper to Move

Germany's industry is still decentralized. Some units have catered to one foreign market; some to another. Dependent on these foreign markets, and yet shut out of them, there is just one thing to do: move inside the protection by establishing plants behind the tariff walls.

The year is not yet quite ended, and the report on the razor and blade industry will not be completed for some months. But it will record the fact that at least 5 Solingen manufacturers have moved to England, 3 to Spain, 1 to Cuba (to cater to South American trade as well as the local market), another to Mexico, 1 to Denmark, and 1 even to Syria.

Business Abroad

Holidays cause worldwide business inactivity but bring no loss of confidence. Moves are made to reduce interest rates, expand work-making projects. Troublesome budgets will monopolize attention in 1933.

Europe

EUROPEAN NEWS BUREAU (*Cable*)—Viewed at the end of a week of holiday inactivity, Europe's business centers offer little that is exciting. Here's just a brief list of outstanding news that bears on the future:

The outlook for war debts is distinctly brighter. Britain is getting a lot of self-confidence out of having paid her obligations. Reaction everywhere has been good. Certainly British stock markets have been fortified.

France is much less certain this week that she did the wisest thing in not paying. One business paper epitomizes a growing feeling among the banking fraternity: "Those who recall those hours of war when, even before the entry of America into the arena, France could not have continued to fight without American steel and the British fleet; those among us feel uncomfortable." But another group retorts: "Don't be sentimental. We spent the money in America—and Britain." Nevertheless, the French want to discuss the matter of debts—and soon. If they don't, a lot of complications are going to develop elsewhere.

The stability of sterling is another sound aid to rising sentiment. It is the result of new confidence in Britain.

The progress of recovery in Germany is beginning to be talked about. London is quite enthusiastic over the gains. France is watching carefully, almost jealously, lest she find herself in a very much weakened position for international bargaining by the new strength of her rival. Germany is the most interested of all. Fugitive capital is rushing home at a great rate, and a lot of stockings are being emptied of hoarded gold. Germany still has a long climb ahead before she will be able to withstand many shocks, but the outlook just now is very good.

There is a distinct trend toward lower interest rates. Foremost is the pending negotiations between Germans and their standstill creditors. Germans will seek reduced rates and conversion of these short-term obligations into long-term settlements.

Poland has provided legally for compulsory conversion of long-term mortgage bonds, has fixed a new maximum rate of interest of 4½%. Nearly $200 millions in bonds and obligations, mostly at 7% and 8%, will be affected. State-guaranteed bonds and those issued in foreign markets are exempted.

Somewhat along the same line, Rumania has extended to urban mortgages the recent moratorium granted to farm mortgages coming due before Apr. 1. It is likely that the moratorium will be extended after that date.

And Bulgaria has passed a law reducing the rent on stores, offices and workshops from 10% to 30% in all chief cities.

The Anglo-Persian oil dispute is to be aired before the Council of the League of Nations (*BW—Dec14'32*). The Persians are demanding an increase of the Persian share of profits from 16% to 24%; permission for Persians to participate in the management of the company; agreement by the Anglo-Persian Co. (which is controlled by the British government) to pay income tax and other internal taxes.

National budgets will occupy major attention as soon as the holidays are over. The problem is most serious in France, is up for immediate consideration in Sweden, Belgium, Italy, Spain, and Poland.

Soyuzphoto

"WE CAN'T AFFORD TO FIGHT"—Poland and Russia, traditional enemies, agree that business is business, these days, and another country in the circle of French influence signs a non-aggression pact with Russia. Here is Ambassador Patek of Poland discussing the treaty with Comrade Litvinov, Commissar for Foreign Affairs.

Great Britain

Business reorganization and adjustment to tariffs feature of holiday business news.

LONDON (*Cable*)—With the Christmas holiday extending pretty well up to Wednesday, not a great deal of business was transacted in Britain this week. Here are a few highlights and year-end figures which help to reflect business sentiment:

Stocks: Industrial shares are selling at slightly higher prices. Coal, iron and steel, and textile shares are especially active.

Industry: Iron and steel demand has improved. Export demand for coal continues, due largely to the advantage which Britishers have of selling at depreciated sterling prices. Rail traffic is up.

Cost-of-living: The index of retail prices is only 43% above the July, 1914, level, compared with 48% at this time last year. The index for food alone is up only 25%, compared with 32% a year ago.

Plans: A crop of new issues is expected shortly after the year opens and is likely to be absorbed by eager capital now idle. Iron and steel issues to help finance the rationalization schemes already under way, coal issues

to finance the extension of new processes, and canning issues to finance the proposed chain of British-owned and operated fish "factories" planned to encircle the British coasts are expected.

Proposals by the railroads as a group to demand a 10% reduction in all wages above 38s. This is proposed despite strong union opposition, and in spite of the $2\frac{1}{2}$% reduction which was made on all rail wages last summer and the additional reduction that was imposed at that time on all wages over 40s.

Appointment by the government of 2 Meat Reorganization Commissions, one to study "fat" stocks, and one to watch the operation of the restriction of supplies likely under the new tariffs with a view to protecting the consumer.

The Association of British Chambers of Commerce has denounced the rapacity of the joint-stock banks for charging 5% and $4\frac{1}{2}$% on overdrafts at a time when the official bank rate is 2%, the deposit rate in London $\frac{1}{2}$%.

France

National treasury borrows to meet current deficit. France creates embryo Farm Board.

PARIS (*Wireless*)—The session of the Chamber of Deputies which recessed just before the end of the year agreed almost unanimously to support Finance Minister Cheron's recommendations for immediate government financing. They voted an extra 5 billion franc issue of treasury bonds, thus raising the total outstanding bonded indebtedness from nothing on Jan. 1, 1932 to the present limit, which is 15 billions. M. Cheron has assured the country this is the only provisionary credit that will be necessary but everyone is skeptical since this sum will be adequate to carry the national treasury only to the beginning of February when it is expected that the real discussion of the budget will commence.

When confronted with questions, M. Cheron refused to define any proposals to balance the budget, hinting only vaguely that due to the success of the government in obtaining a sacrifice from small rentiers, probably he would try to persuade medium and large scale capitalists to accept a similar sacrifice. Recent attempts in this direction made by the previous Finance Minister, however, only resulted in violent lobbying of numerous sorts from protective taxpayers' syndicates which frustrated further government initiative.

Last minute legislation also gave M. Cheron a majority for his demand for an embryo French Farm Board which will have at its disposal a credit of $12 millions with which to support wheat prices by direct buying or by advancing credits to farmers in order to remove the 7 million quintal surplus accumulated this year.

Wide World

HIS TROUBLES BEGIN—Premier Joseph Paul-Boncour "granted" Paris reporters an interview shortly after assuming the responsibility of forming a French government. He is still faced with the problem of war debts which caused the fall of his predecessor—Herriot.

Germany

Everyone is absorbed in vast recovery program. New relief measures undertaken. Markets steady. Germans buy Soviet oil.

BERLIN (*Cable*)—Germans are getting a lot of comfort out of their radios these days. Since the Reichstag wouldn't possibly listen to von Schleicher's "program" speech (though it has given him a month's time in which to get his program under way), most Germans got their first clear idea of what was ahead in the way of government policy when the new Chancellor talked over a national hookup before Christmas.

Von Schleicher has made a good impression. He has given Germany new confidence.

This week, the new "Job Creation" commissioner turned to the radio to broadcast his first plans. There is immediate government aid to bring down prices on essential foods for the unemployed. Coal freight rates are also reduced. More money (nearly $125 millions) has been appropriated to help find new jobs.

There has been one tremendous blow to optimism during the week. The number of jobless jumped nearly a quarter of a million during the first half of December in spite of all the new efforts. While this unhappy development cannot be explained away, Germans haven't yet lost faith in the principles which von Schleicher is backing to bring relief. They noted, for example, that the amount of the contributions to the unemployment insurance services have increased in the last 2 months. Inasmuch as these payments are based on a proportion of the total paid in wages, it becomes evident that some people are working more hours, earning more money.

One of the most successful of the relief schemes is the one which provides a 20% refund of total costs to anyone making repairs on his home during the winter. The fund already is absorbed

and the orders are being placed with contractors. Results should be felt soon.

Other encouraging items in the week's news: I. G. Farbenindustrie, the country's great dye and chemical combine, has taken on 4,000 additional workers in recent months because of the revival of demand. Steel output was up in November, though the recent fall in export prices has tended to shake confidence again. A number of plants are working on the large order placed by the Chinese for equipment for the huge new steel mill to be constructed in the Hankow area.

More Industrial Activity

Coal production and sales are both up. The industry now is inclined to look back to September as the absolute bottom of the depression.

A good sign is the revived interest this year in holiday buying. Christmas trade was far ahead of last year despite the fact that most shoppers were after inexpensive bargains. Theaters and the winter sports industries are doing the best business they have had since the depression got under way.

There is special American interest in the report from Opel Motors (now controlled by General Motors). While production is below the total for last year, Opel motor sales are gaining a larger share of the German domestic market. On the export market they are expected to do 70% of this year's business. Last year they sold only about 61% of all German motor exports.

Also of interest to Americans is the report from official sources in Berlin that American oil imports are losing ground to the Soviet product. Imports of crude and refined oil from Russia in 1930 made up only 12% of the total, in 1931 it was 20.9%; and in the first 7 months of 1932 it was 29.6%. American imports, in contrast, dropped from 40.3% in 1931 to a bare 35%.

Steel Shares Rise

Security markets have been steady all week, with steel shares registering a considerable rise. This is due to the fact that Germans have completed reorganization of the steel industry and find that they can still produce profitably at present prices now that they have rationalized methods.

Among those business men who are concerned with the attitude of the United States toward Germany's finances, there has been much discussion all week of the unexpected speech by the influential Dr. Hugenberg in which he demanded that interest on Germany's "standstill" debts be cut to 1½%, that they be converted into long-term obligations. Germans will negotiate for interest reductions, no doubt, when the matter comes up before the bankers concerned early in January, but it is not likely that a demand will be made for so low a rate.

Latin America

Business developments submerged in holiday celebrations.

LATIN AMERICA has been too absorbed in the Christmas holidays to have caused any significant change in the trend of business.

Noted during the week: Direct telephone service between the United States and Venezuela and Colombia has been established; Argentine farmers have been plagued by a wave of locusts which ruined cotton, tobacco, and grain crops, and Chilean cattle raisers have reported to the government that ash from the recent volcanic disturbances has killed the grass in vast grazing areas and that 300,000 head of cattle may be lost as a result; the new President Alessandri has taken office in Chile, has announced that he will sponsor fresh efforts to bring about a new discussion of a Pan-American customs union; Bolivia has initiated another attack on Paraguayan troops in the Chaco area; Ecuador is having difficulty balancing the national budget and may seek a loan from the National Bank; Bolivian banks may be forced to turn over to the government all foreign funds on deposit with them.

Primary commercial interest is still centered in the Argentine, where bankers are still negotiating for adjustment of maturities soon coming due on short-term obligations, and whence will come reports of plans for tariff cooperation or retaliation following discussion with the British.

Far East

China balances the budget; Japan does not. New Japanese attack in north worries Chinese.

FOR the first time in 21 years the Chinese government has succeeded in balancing its budget, despite world-wide depression, decline in silver exchange, Sino-Japanese fighting, flood relief operations, and anti-communist and anti-bandit campaigns.

Significant also are the advances made in a more effective and productive administration of the salt tax, and in the abolition of internal taxes on trade except the inter-port duties. These have had to be maintained because of the urgent need for revenue.

That an end has been put to borrowing for current operating expenses is the belief of the Finance Minister. Because of the improved condition of the nation's finances, there has been a continuous rise in the quotations of domestic bonds, and Chinese credit abroad has been considerably enhanced.

Encouraged by these developments, the government at Nanking is making an effort to bring about tax reform within the country, and a more countrywide regulation of government financial procedure.

The most unfavorable development during the week was the renewed attack on the northern province of Jehol by Japanese and Manchukuan troops. Jehol is virtually under the domination of Mukden now but the real fear of the Chinese is that the present campaign will not end until all of north China has been brought under the domination of Tokyo. Peiping and Tientsin are especially choice plums for any invader.

No Happy Problem

Japan's principal concern throughout the week was discussion of the new budget. The Diet convened long enough to hear the address from the throne and to transact minor routine business. Then it recessed until Jan. 21. In the interim, all Japan is considering the country's budget—which is not a happy problem. Expenditures exceed income by 70%. New taxes, however, are almost impossible except for a small increase in the tax on extreme wealth. It is probable that the deficit will need to be provided by flotation of a domestic loan. Right now it looks as if this issue would need to make up ¥1.1 billions not provided by revenue. And it is entirely possible that a deficit of ¥700 millions for this year will need to be bonded at home before the fiscal year ends in March.

In view of rapidly expanding export business since the yen has depreciated and opened many new markets to the Japanese, and since the country is likely to end the year with a favorable balance of trade, some persons are not willing to consider the situation really serious. There is another group, however, who point to the fact that national tax revenue formerly covered 50% of the national expenditures, but that this year it will barely cover 30% of them. The same group sees no end to new military and naval expenditures.

Japanese Bankers Anxious

The able correspondent in Tokyo for the New York *Times* summarizes the situation honestly: "The budgetary situation is thus offset by many encouraging features. But for the unbalanced budget with the consequent loss of confidence it involves, Japan would be entitled to await the return of prosperity with as much confidence as any of her competitors. Some European observers, recalling the experiences of France and Italy, and pointing out that Japan's national debt is still small for her population, consider that a budget deficit amounting to one year's income on 2 years' accounts need cause no alarm. It is a mixed situation, not wholly black, but the Japanese bankers are becoming anxious for stronger control of departmental expenditure than the present government has been able to exercise."

The Figures of the Week

Further slackening of industrial activity featured the holiday period. Steel operations are still supported by the motor industry with some aid from tin plate producers. December construction is meager. Coal production and coal loadings increased sharply with cold weather. Currency and check payments increased moderately; electric power declined.

STEEL-MAKING activity during the Christmas holiday week slackened somewhat, as was to be expected. Coming close to the year-end as well, the week is of little significance so far as the rate of production is concerned. December output has been sustained largely by the automobile industry, and a similar situation appears likely in January. In localities where motor requirements are filled, activity after the holidays is being resumed at the same level that preceded. In Detroit, *Iron Age* reports a steel plant running practically at capacity, while at Cleveland the rate averages 26%. Pittsburgh is operating at 12% and the Valleys at about 10%.

The prospects for the new year are exceedingly obscure. There is no heavy hang-over of orders upon which the industry can feed. A belief prevails that spring will bring something of a seasonal rise, though the performance of 1932 is not very encouraging in that respect. Only a few orders have dribbled in for shipment in January.

The entrance of Ford again in the motor field assures an output in January of something more than the 110,000 estimated for December. Ford is expected to account for 20,000 of this number. Chevrolet continues to be the chief contributor to the industry, and is planning further expansion of operations in the coming weeks. A number of other manufacturers will also influence the steel tonnage demand of January. What is to be expected after model requirements have been filled lies in the hands of the public. If the inducement to buy at the present moment can be achieved by the motor industry, the rest of the industrial world may well take courage. The automobile producers stand practically alone in making a definite attempt to create a market. Registration data for November are now assembled for 42 states, and the results continue to show improvement compared with the early estimates. The outlook for passenger car sales is now in the neighborhood of 43,500; truck sales 10,100 units.

Machine Tool Orders

Iron Age reports sizeable orders for machine tools by the motor industry, with more to follow until approximately $1.5 millions has been expended.

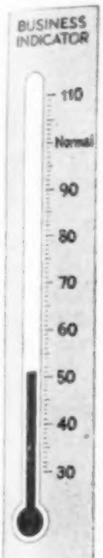
Structural steel volume has hit one of the high levels of the year, according to *Steel,* with a tonnage of 70,663 tons, the bulk of which arose from the steel requirements of a federal aid railroad bridge at New Orleans.

Without the extensive aid of government projects during 1932, the volume of structural steel would have been small indeed.

Railroad buying shows no sign of picking up, though a number of moderately favorable decisions have been secured during the fortnight. The maintenance of the 10% wage cut for

THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	*Latest Week*	*Preceding Week*	*Year Ago*	*Five-Year Average (1927-1931)*
	*51.5	52.4	65.1	
PRODUCTION				
Steel Ingot Operation (% of capacity)	13	15	20	40
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$4,043	$4,309	$6,181	$14,381
Bituminous Coal (daily average, 1,000 tons)	*1,300	†1,138	1,176	1,631
Electric Power (millions K. W. H.)	1,555	1,563	1,565	1,556
TRADE				
Total Carloadings (daily average, 1,000 cars)	86	87	97	129
Miscellaneous and L. C. L. Carloadings (daily average, 1,000 cars)	51	56	64	81
Check Payments (outside N. Y. City, millions)	$2,967	$2,444	$4,042	$5,413
Money in Circulation (daily average, millions)	$5,734	$5,683	$5,727	$5,175
PRICES (*Average for the Week*)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.42	$.42	$.51	$.97
Cotton (middling, New York, lb.)	$.059	$.061	$.065	$.148
Iron and Steel (STEEL composite, ton)	$28.91	$28.91	$30.16	$33.80
Copper (electrolytic, f.o.b. refinery, lb.)	$.048	$.048	$.070	$.129
All Commodities (Fisher's Index, 1926=100)	58.5	58.7	66.7	86.4
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	$2,189	$2,195	$1,992	$1,729
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$18,874	$18,839	$20,734	$22,046
Commercial Loans, Federal Reserve reporting member banks (millions)	$6,037	$6,009	$7,386	$8,601
Security Loans, Federal Reserve reporting member banks (millions)	$4,331	$4,322	$5,733	$7,055
Brokers' Loans, New York Federal Reserve reporting member banks (millions)	$395	$393	$611	$2,920
Stock Prices (average 100 stocks, Herald-Tribune)	$82.87	$84.34	$90.57	$142.49
Bond Prices (Dow, Jones, average 40 bonds)	$76.70	$77.38	$76.37	$92.01
Interest Rates—Call Loans (daily average, renewal)	1%	1%	3%	5.2%
Interest Rates—Prime Commercial Paper (4-6 months)	$1\frac{1}{4}$-$1\frac{3}{4}$%	$1\frac{1}{4}$-$1\frac{3}{4}$%	$3\frac{3}{4}$-4%	4.2%
Business Failures (Dun, number)	525	590	563	525

*Preliminary †Revised



The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures—steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.

another 9 months in 1933 at least gives a temporary benefit to the roads and probably saved further paring of the equipment programs. The reduction of interest rates from 6% to 5½% on loans granted by the R.F.C. in the next 6 months which mature before the end of 1933 and on the existing outstanding balances of present loans is a further concession, though a small one. In November, the railroads were the largest borrowers of the R.F.C., six carriers obtaining $38.2 millions, of which $31.6 millions went to the Baltimore & Ohio alone. Rail abandonment in the first 11 months of 1932 was 50% greater than in the same period of 1931, amounting to 1,380 miles against 917 miles.

Tin Plate More Active

Tin plate activity ranks second in steel consumption at the present time, the mills operating in anticipation of requirements of their customers. Contracting for 1933 continues to lag, although this is ordinarily the season for concluding such arrangements.

During the third week of December a better rate of construction activity was apparent only in the field of public works. Residential and non-residential awards slumped sharply. The downward trend, however, is to be expected as the cold weather months approach.

From Dec. 1-22, a period covering 19 business days, total contracts let were valued at more than $57.6 millions. On a daily basis, this indicates a 30.9% decline from the November level, a somewhat poorer showing than the first half of the month suggested. The adjusted index for the period ending Dec. 16 declined to 26% of normal. Though public projects still represent the most important group of awards, these have fallen off by 35.5% from the November daily average, a sharper drop than experienced by either residential or non-residential awards. This is probably due in part to the season, which interferes with such construction as highways and the like. Awards thus far this month total $27.7 millions.

Residential and Non-Residential

Residential contracts aggregate but $10.2 millions, a decline of 32.8% more than 61% below a year ago.

Non-residential contracts of $19.7 millions make the best comparative showing with the preceding month, declining 21.8%.

A sudden expansion of bituminous coal production has lifted the output of the week Dec. 17 close to the 8 million tons mark, a level exceeded but 3 times in the present year. A year ago, production barely exceeded 7 million tons. The counter seasonal gain has lifted the adjusted index sharply to 60% of normal. Low stocks on hand necessitate sudden increases in productive activity as weather conditions change, thus upsetting the usual trends of the month.

Electric Power

Electric power production during the week ending Dec. 24 declined as the weather became milder. Comparison with a year ago is unfair, as the Christmas holiday fell within the comparable 1931 week.

Carloadings declined so moderately during the week of Dec. 17 that the spread from a year ago shrank to 11%, the narrowest spread of the year. This was due to an unexpected expansion of fuel loadings which even surpassed the comparable weeks of 1931. Movement of manufactured goods as reflected roughly in the shipments of miscellaneous and less than carlot freight declined sharply, lowering the index 2 points to 50% of normal.

Mid-month trade settlements probably account for the 21% rise in check payments in the 140 cities outside of New York during the week of Dec. 21. In the leading financial center, the week's gain amounted to nearly 37%. The index based on the past 2 weeks moved downward to 53% of normal.

Currency circulation during the week preceding the Christmas holiday expanded. Holiday trade has probably been considerably less than was hoped. In the New York metropolitan area, sales ran more than 24% below a year ago during the first half of December.

Postal Savings

Postal savings at the close of November gained another $13 millions within a month's time, reaching a new high of over $881 millions. Depositors number more than 1.5 millions.

The Federal Reserve Board index of industrial production declined to 65% in November compared with 66% in October, due chiefly to a 2 point drop in manufacturing output. Imports during November declined only slightly, but exports were off more than 9%.

Commodity prices gave few assurances of stability outside of the non-ferrous metal markets. A drying up of demand rather than any marked change on the supply side accounts for most of the recent price fluctuations. Silver hit a new low during the week. Hogs, coffee, and hides gained slightly, while cocoa, silk, rubber, sugar, corn, and wheat declined. Cotton has recovered some of last week's loss.

The Financial Markets

Strength of the banking situation and stability of security markets stand in strong contrast to crisis conditions a year ago. High bank reserves and extremely easy money rates provide a basis for expansion in investment activity as soon as business prospects and political policies are clarified.

Money

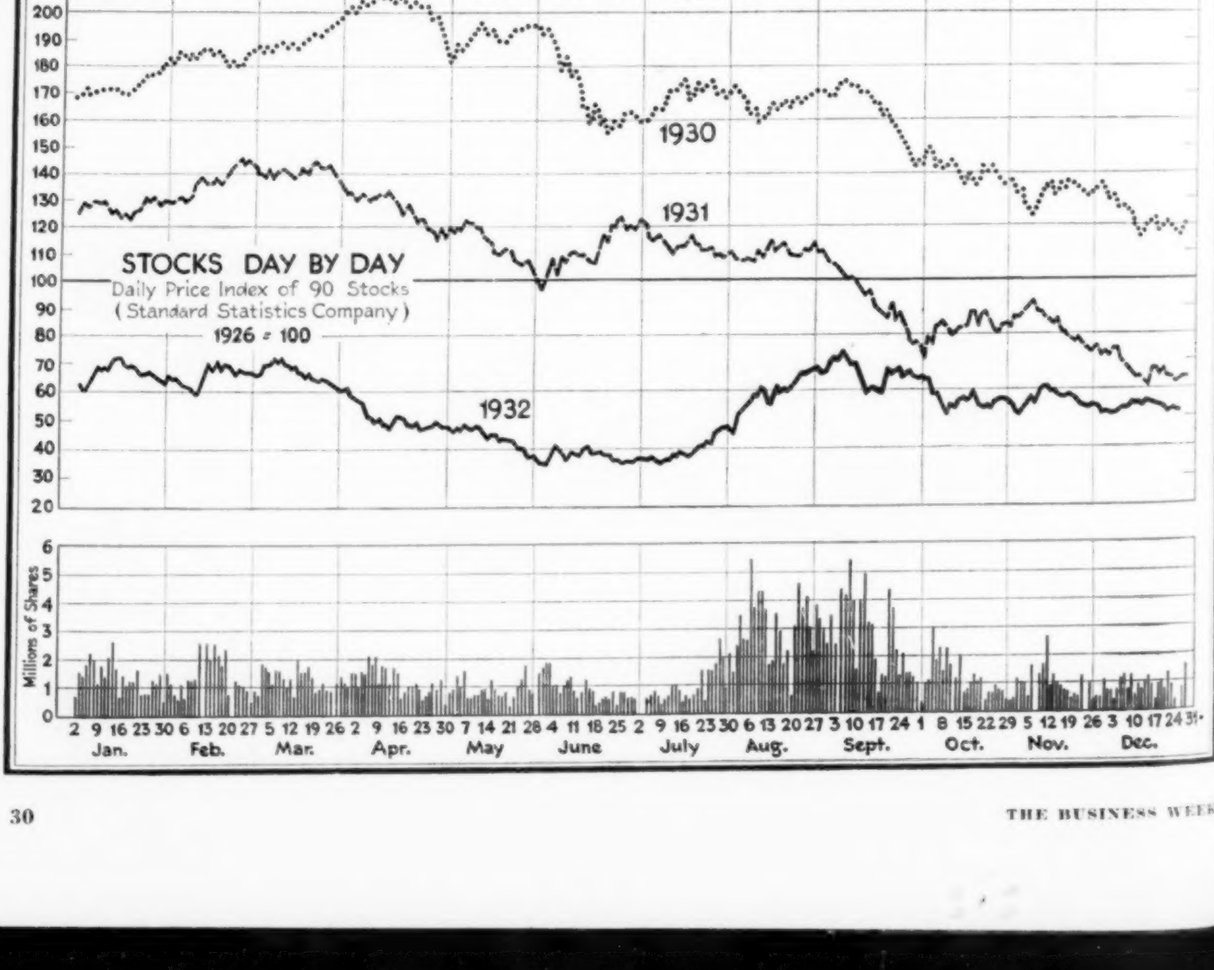
Year-end developments in the banking situation and money market conditions are conspicuously quiet in comparison with the extreme strain of the end of 1931. At that time the banking system was beginning to feel the full force of the financial crisis that started with the British suspension of gold payments. Hoarding coupled with the seasonal demand was carrying the amount of currency in circulation to alarming heights, and gold was beginning to go out of the country rapidly. The Glass-Steagall Act had not yet been passed nor the Reconstruction Finance Corp. established. Banks were consequently compelled to liquidate loans and reduce investments at a drastic rate, and to increase their borrowings from the Reserve banks.

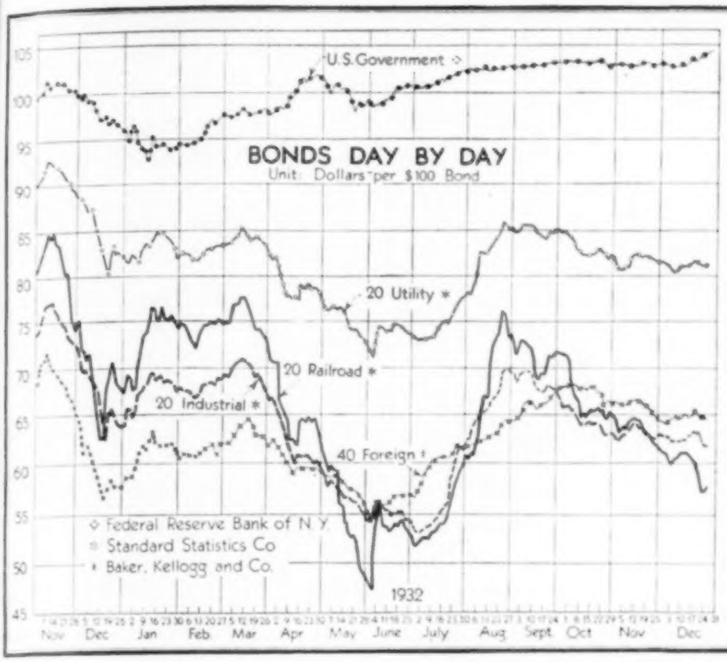
All this is in striking contrast with current conditions. Although currency in circulation has shown some of the expected seasonal increase, it has been only about half as large as usual, reflecting partly the relative slackness of holiday trade and partly continued reduction of currency hoarding. Gold has been coming in with increasing rapidity, and the year will probably end with both the amount of currency in circulation and total gold stocks about where they were at the beginning. Both these factors, combined with new issues of national bank notes, have brought the excess reserves of member banks to a record high level, above half a billion. Member bank borrowings from the Federal Reserve have been reduced to an insignificant figure.

While total member bank credit has shown some tendency to decline during the last weeks of the year, especially in the commercial loan category in member banks outside of New York the liquidation is much less drastic than it was a year ago at this time, and total loans and investments of weekly reporting member banks will end the year somewhat above the low point reached in the middle of the year. The latest bank statements reflect a tendency of member banks to shift some of their investment portfolio from other securities to governments, for window dressing purposes.

This fairly peaceful ending to a hectic banking year is reflected also in continued extreme ease in money rates. The Treasury's last bill issue for the year, about $100 millions of 91-day bills, was disposed of at the lowest yield rate on record, about 0.09%. There is no indication of any probable tightening of money rates in the near future.

Foreign exchange conditions continue comparatively quiet, with sterling maintaining some of its recent strength, but with the currencies of the continental gold standard countries at levels which are bringing some inflow of gold, principally from France. Most striking event of the week was the suspension of gold payments and embargo on private gold exports by South Africa. This makes practical abandonment of the gold standard unanimous for the British Empire. It may seem singular that the country which produces most of the





world's new gold should have to suspend gold payments and embargo gold exports. South Africa, however, is an agricultural country and its farmers, feeling the force of deflation of commodity prices, have exerted their political power to compel relief. The high price which gold brings today in terms of commodities has intensified the disparity in the economic position of the gold mining industry and farming in that country. The action of South Africa will not interfere with the shipment abroad of gold produced in its mines, because such gold is required to be sold to the South Africa Reserve Bank, which handles its sale abroad.

Stocks

THE stock market seems to be ending the year with its prolonged spell of dulness and indecisive fluctuations practically unbroken. In the course of the past week the market ran into some moderately heavy liquidation of railroad issues precipitated partly by pessimistic interpretation of the outcome of the railroad wage negotiations, the receivership of the Central Railroad of Georgia and nervousness about other carriers.

Passage of the beer bill in the House failed to have any stimulating effect on the market perhaps because the percentage of alcohol was disappointingly small, or because the skeptics in the Street recognized that there is many a slip between the schooner and the lip, or because the miraculous economic and fiscal effects of beer have been pretty well discounted by now.

For chart readers the course of the market averages since early October has a tantalizing interest. The neat quadruple bottom, formed by the lows of Oct. 10, Nov. 3, Dec. 3 and 23 seems to afford a promising basis for a decisive movement of the market one way or the other, but nobody knows which.

Bonds

BONDS suffered somewhat in the industrial and railroad list last week in sympathy with the nervousness in the stock market about prospective railroad financial positions early next year. A great deal of careful selective buying of bonds is going on and keen discrimination is being shown in picking issues in which there is no question as to financial stability. On this basis there have been strong signs of vigorous expansion in investment demand in recent weeks. This is particularly evident in the much greater strength shown during the past week by Treasury issues, many of which were pushed to new high levels for the year under the pressure of active demand from banks and other financial institutions. It is possible that this represents in part a desire to sweeten year-end statements, but there is probably more in it than that. Under prevalent money market conditions it has become extremely difficult to earn anything on the most liquid uses of idle funds, and even though the federal budget is far from balanced, some of the long-term Treasuries have recently become attractive in the eyes of investors still uncertain about industrial prospects.

Compensation

Insurance companies say rates must go up: states think costs can be cut.

THE fight led by the stock insurance companies to offset premium-cutting shrinkages in industrial payrolls by increases in workmen's compensation insurance rates (*BW—Sep21'32*) has met with little success. The stock companies' effort to capture a larger share of the fat accounts—which have been drifting to the mutuals—by obtaining permission to discount by 12½% the excess of compensation premiums over $1,000 has won even less.

Latest of the regulated states to balk at this program is New York, where Superintendent of Insurance George S. Van Schaick has just held the rate increase to 3.6% effective Jan. 1 and disapproved the discount proposal as discriminatory. Stock companies had asked for a 20.1% raise; the mutuals had said that they would be satisfied with 9.2%, perhaps less. But even the boost allowed puts compensation rates 28.6% above the state level for Jan. 1, 1931. Insurance companies add that, what with payroll cuts, it will not put premium receipts back to 1931 levels.

Other states have joined New York in disapproving the discount: Kentucky, which also refused rate increases; Colorado, which allowed a 13.6% raise; Michigan, which granted a boost of 15%, instead of the 16.9% asked; Maine, which stuck to the 1931 rates; Texas, which put premiums up 10%.

New York, whose decision will affect that of many other states because of its importance in the insurance picture, made it a long battle, delaying action until insurance company compensation practices and policies had been X-rayed by a departmental questionnaire (*BW—Oct12'32*). Mr. Van Schaick finds that company expenses are still out of line with income, that 34 out of 60 are spending in excess of the 40% loading allowance for expenses provided in the rate, and that a few of them are making improper charges to the medical benefit account. His decision refuses to accept the company contention that medical costs are bound to keep on rising.

New York had the advantage of a sweeping report on medical abuses in compensation cases which has just been submitted to Governor Roosevelt. This report submits evidence of medical racketeering in such cases, urges the abolition of commercial compensation and insurance clinics, the substitution of a special panel of physicians, licensed to do compensation work. The committee also asked consideration of the advantages and disadvantages of an exclusive state fund to write workmen's compensation insurance.

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Speak Up!

As we face another year of anxieties and uncertainties amid the vertiginous visions of economic oracles who offer us "electric dollars" and intellectual terrorists who see the techno-crack-o'-doom just around the corner, we think it passing strange that the highbrow-beaten business men, the downcast industrial executives, and crestfallen financiers of these benighted states do not rise up on their hind legs and say How Come and Go To. If those hind legs are still hitched to backbones of normal stiffness it is hard to see why the spirit of American business enterprise should stand for the sort of nonsense to which it is being subjected today.

It is true that three years of depression have taken much of the starch out of our stuffed shirts and made all of us susceptible to superstitions of all sorts. There is something whimsically human in our eager appetite for signs and portents and our search for some new Santa Claus to solace us in our disappointments and compensate for the inferiority complex the prolonged depression has produced in us. But, after all, most American business men are adults and despite all the mistakes they may have made they may well resent being bully-ragged and led about by the nose by academic nursemaids.

These mistakes make a long story, but there is much more to the tale than the mere use of machinery and power in supplanting human labor and there is no reason to believe that it must have an unhappy ending. Everyone with any insight into our situation understands that our monetary and credit machinery is much more the source of our misfortunes than are the methods of production and industrial management which scientific research and business ingenuity have developed. We may need to make important changes in it to assure its better control and perhaps provide through intelligent planning and cooperative action for the protection of those who are temporarily displaced from their accustomed occupations by invention, improvement, and progress in productive power, as well as shifts in consumer tastes and habits. But all these aspects of our economic problems are quite clearly within the scope of human control and adaptation and there is no reason to despair of the power of business enterprise and initiative to deal with them.

Of all the stupidities of this singular period of distorted perspective there is none more serious and inexcusable than the prevalent skepticism regarding the social value of industrial progress and business enterprise. If we were in our senses we might well ask ourselves what sort of civilization we would have today and what standards of life we could support if through the past century men had not been willing to stake something on inventions, improvements, and new procedures which have enabled us to produce and sell goods and services more cheaply and abundantly, and how these things would have been accomplished without the spur of individual desire for prestige, power, and profit. However vast the natural energy and material resources of this continent, it is questionable whether they could ever have been accomplished without the energies of human ambition and the forces of human desire that lie at the basis of all economic effort. To industry in this fundamental human sense we owe everything that we have and are, and there has never been and will never be a substitute for it, whether from the laboratory of the scientist or the study of the economist.

Yet among all the clamoring, critical and skeptical voices of these distracted times the one voice that is conspicuously and strangely silent, drowned out by the din of confusing political and academic counsel, the one voice that on its record of concrete, constructive accomplishment deserves to make itself heard above the battle—is the voice of American industry.

Where the deuce is it, and why does it not speak up?

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